

The Global Newspaper Edited and Published in Paris Printed simultaneously in Paris, London, Zurich, Hong Kong, Singapore, The Hague, Marseille, New York, Rome, Tokyo, Frankfurt.

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

No. 34,394 39/93

LONDON, TUESDAY, SEPTEMBER 28, 1993

Subscription rates: US \$2.00 (Canada), \$2.50 (UK), \$3.00 (Japan), \$3.50 (Australia), \$4.00 (South Africa), \$4.50 (New Zealand), \$5.00 (India), \$5.50 (Singapore), \$6.00 (Malaysia), \$6.50 (Thailand), \$7.00 (Philippines), \$7.50 (Indonesia), \$8.00 (Taiwan), \$8.50 (Hong Kong), \$9.00 (China), \$9.50 (Korea), \$10.00 (Australia), \$10.50 (New Zealand), \$11.00 (Japan), \$11.50 (USA).

ESTABLISHED 1887

For Palestinian Collaborators, a Time of Panic

By David Hoffman Washington Post Service FAHME, Israeli-occupied West Bank — Just about every village in the West Bank unfurled Palestinian flags to celebrate the accord between Israel and the Palestine Liberation Organization. But the flags did not flutter over the concrete block houses in Fahme.

It is a nightmare for many of the admitted informers. There is no return to their old villages in the West Bank. They all desperately want to be taken back into Israel, but there are no guarantees, and no one knows what will happen now. "We are like a cat in a cage," said Ahmed Hamarshe, the village leader, sitting by a telephone that rang constantly with calls from either the Israeli security services or other collaborators.

Most Palestinians avoid the village, where Israeli Army trucks roll in and out. The village budget comes from Israel. Fahme workers get special help in finding jobs, often in such institutions as hospitals run by the Israeli military. "We belong to Israel, not to Arafat," insisted Mr. Hamarshe, whose office includes a portrait of President Ezer Weizman. The portrait of the PLO chairman, Yasser Arafat, is displayed everywhere else in the West Bank, is not to be found here.

Clinton, at UN, Urges New Nuclear Treaty

Japan Leader He Wants Ban On Material For Weapons

WASHINGTON — In his first official stop on the international stage, Prime Minister Morihiro Hosokawa urged the United Nations on Monday to expand the Security Council to include other nations such as Japan and affirmed his support for an indefinite extension of the global treaty curbing nuclear weapons.

By Paul F. Horvitz International Herald Tribune WASHINGTON — President Bill Clinton on Monday proposed an international treaty that would ban the production of plutonium and enriched uranium for use in nuclear weapons.

Mr. Hosokawa also announced Tokyo's intention to provide \$200 million over the next two years to help underwrite economic development in Palestinian areas of the Gaza Strip and West Bank that Israel has promised to relinquish.

Mr. Clinton offered the proposal during his first speech to the United Nations General Assembly in New York, an address in which he also cautioned the United Nations against oversteering itself in its peacekeeping responsibilities.



A supporter of the hard-liners venting his anger on government forces outside the parliament building in Moscow on Monday. The mood in the building was increasingly despondent.

Yeltsin Bars Compromise, Warning of 'Power Vacuum'

MOSCOW — President Boris N. Yeltsin ruled out a compromise Monday with hard-line opponents, saying he would not accept calls for simultaneous parliamentary and presidential elections to end Russia's political crisis.

Yeltsin added, "A power vacuum is even more dangerous, when both powers are engaged in elections and there is no time to work."

Regional leaders, meeting Sunday in Saint Petersburg, urged the cancellation of all decrees issued since he dissolved parliament and called elections.

The regional leaders also proposed that legislative and presidential elections be held at the same time, before the end of the year.

Shevardnadze In Hiding After Fleeing Siege

MOSCOW — Eduard A. Shevardnadze, the Georgian leader, fled the Black Sea port of Sukhumi on Monday just ahead of triumphant Abkhazian rebels, who seized the city and routed its Georgian defenders after a ferocious 11-day siege.



The IMF chief, Michel Camdessus, left, GATT director, Peter Sutherland, center, and World Bank chief, Louis Preston, pressing Monday for a trade pact. Page 17.

Muslims Revolt in a Bosnian Enclave

ZAGREB, Croatia (Reuters) — Muslims declared an autonomous province on Monday in the Bihać enclave of Bosnia-Herzegovina in a revolt against Bosnia's Muslim president, Alija Izetbegovic, Croatian television said.

How China Deals With Financial Fraud: 8 Executions

BEIJING — China executed eight young financial workers Monday in what officials called the biggest cases of public embezzlement since the 1949 Communist revolution, state media reported.

"This series of cases amounts to the biggest financial fraud since the founding of the new China," Mr. Liu said. State television showed the handcuffed defendants bowing their heads before panels of uniformed judges in four Chinese cities as armed police restrained them from behind.

North Korea Pulls Out of Nuclear Talks

VIENNA — North Korea has canceled talks about nuclear inspections and appears to be toughening its stand against checks on suspect atomic sites, the International Atomic Energy Agency said Monday.

Market data table including Dow Jones (Up 23.75), Trib Index (Up 0.43%), and The Dollar (Mon. 4 P.M. 1.629).

STATESIDE / PREMIUM PRESSURE

Health Plan Holds a Consumer Safety Net

By Dana Priest
Washington Post Service

WASHINGTON — As part of his health care reform proposal, President Bill Clinton wants Congress to prohibit insurance companies from dropping sick subscribers or selectively raising their premiums during the three years before his plan would be fully put into effect.

Mr. Clinton also wants Congress to set up a government-sponsored insurance plan for consumers who cannot buy private coverage during the transition period.

Both measures reflect the administration's belief that health insurers, faced with declining profits because of impending reform, might price-gouge or drop coverage for sick people who need medical services during the period between the time Congress passes Mr. Clinton's proposal — if it does — and when it is operating fully.

The administration has said it would like the plan to be operating in all states by the end of 1997, although Hillary Rodham Clinton recently suggested that the White House was open to a later date.

"We want to prevent the insurance market from becoming unstable during the interim," said the White House health adviser, Ira C. Magaziner. "We want to prevent them from raising prices in a profiteering manner," or dropping the more expensive policyholders, who usually are the elderly and people with existing medical conditions.

The administration's proposal would immediately limit the amount insurers could charge some individual new subscribers and existing policyholders. It would also prohibit companies from terminating or not renewing health insurance coverage for any insurer person or group, according to a draft of the plan.

The interim measure would mean that insurance companies would not be allowed to drop coverage of small businesses or individuals, for instance, while maintaining coverage for large companies.

"That appears to me totally contradictory to their overall goals of consolidation," said Linda Jenckes, lobbyist for the Health Insurance Association of America, referring to the president's other goal of weeding out inefficient, wasteful health plans.

By requiring companies to renew all policies and restricting their rate adjustments, "you really could run the risk of making a company insolvent" if health costs go up, she said.

If the proposals are enacted, people who lose their health insurance during the transition period, for whatever reason, or are unable to buy insurance because they have a pre-existing health condition, would be able to buy coverage through the Department of Health and Human Services.

The department's plan would be financed by the premiums it charged consumers. But if the premiums were insufficient, the government would force all insurance companies and large companies that operate their own health plans to contribute as well, according to the draft.

Several states have state-run plans to insure people who have been turned away or charged high rates by private insurance companies because they have medical conditions that required expensive treatment. In general, these "state risk pools," as they are called, have not kept up with the demand for coverage.

agent relayed information that the cult leader, David Koresh, and his aides had been warned that authorities were coming to the compound. (AP)

U.S. Senator Indicted in Texas

AUSTIN, Texas — A U.S. senator and two former aides were indicted Monday on charges of misconduct during her 2½-year tenure as state treasurer.

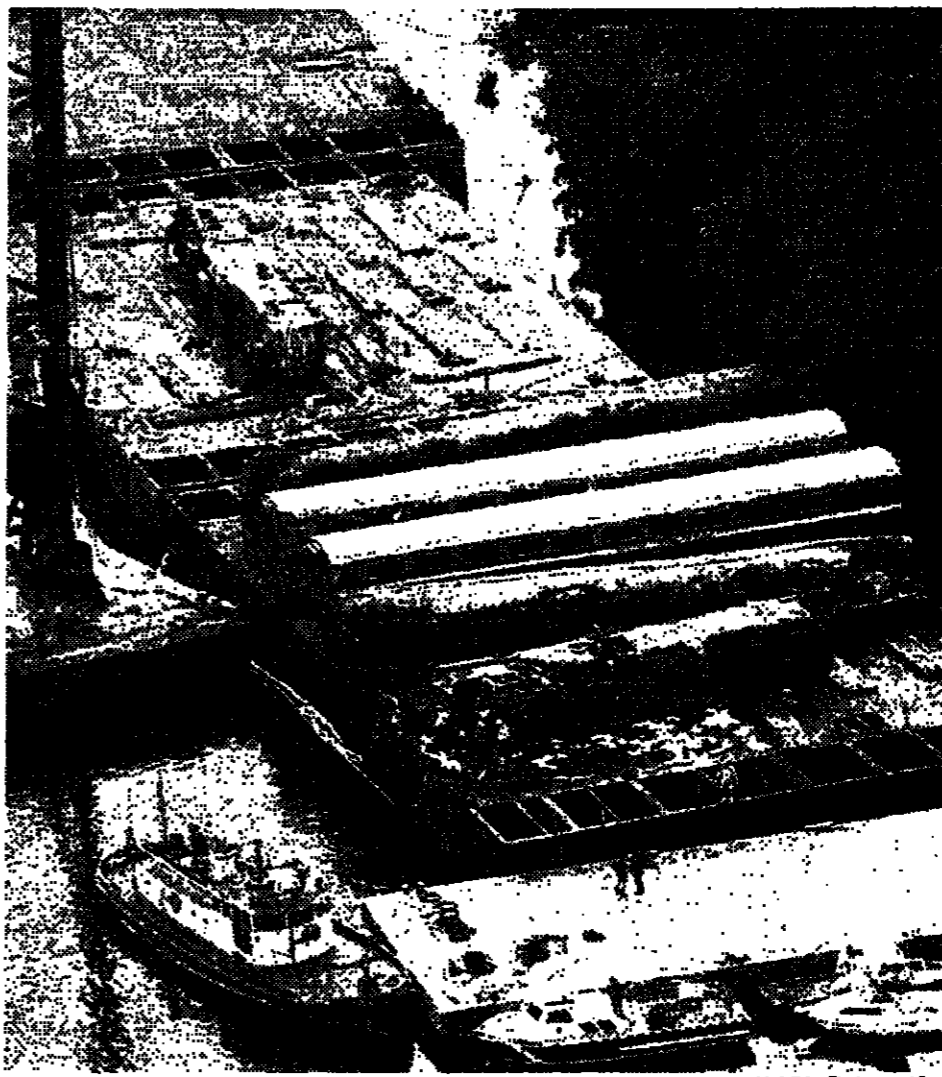
The senator, Kay Bailey Hutchison, a Republican, was accused of felony charges of official misconduct and tampering with governmental records and evidence.

Mrs. Hutchison won a special election on June 5 to succeed Lloyd Bentsen after he became U.S. Treasury secretary. She has denied wrongdoing and accused District Attorney Ronnie Earle, a Democrat, of a political witch-hunt. (AP)

Quota / Unquote

President Bill Clinton, in his maiden address to the United Nations: "My government intends to remain engaged and lead. We cannot solve every problem but we intend to serve as a fulcrum for change and a pivot point for peace." (AP)

Away From Politics



Amtrak cars and engines retrieved after last week's wreck awaiting transport to New Orleans. Mark Foley/The Associated Press

● A second recording device recovered from the Sunset Limited's third engine, one of the last cars pulled from the bayou waters where 47 Amtrak passengers and crew died, has been turned over to investigators. That engine and a baggage car from the California-to-Florida train were hauled Sunday from the Bayou Canal, the site of the worst wreck in Amtrak's 23-year history.

● The replacement camera for the flawed Hubble space telescope is ready to be launched in December, space agency officials said. A NASA official, John Campbell, said earlier indications that the camera would have to be re-focused were erroneous because of problems with testing equipment.

● Millions of Americans drink, shower and took in unsafe tap water, according to a report released Monday. The study by the Natural Resources Defense Council found that from 1991 to 1992, 120 million people were affected by over 250,000 violations of the Safe Drinking Water Act.

● A federal judge in Los Angeles ruled Monday that two policemen convicted in the Rodney G. King beating could stay out of prison until Oct. 12 while they seek bail in conjunction with moves toward appealing their cases. The decision came shortly before the deadline for Stacy C. Koon and Laurence M. Powell to begin their 30-month sentences.

● The National Guard helped evacuate dozens of residents in northeastern Oklahoma on Monday as rain-swollen rivers roiled out of their banks to record levels. (NYT, AP, Reuters, AP)

POLITICAL NOTES

Aide Retires in Waco Aftermath

WASHINGTON — Stephen E. Higgins, whose Bureau of Alcohol, Tobacco and Firearms conducted the raid on the Branch Davidian cultists near Waco, Texas, earlier this year, announced his retirement Monday.

The announcement by Mr. Higgins, 55, a career employee who had served as director of the Treasury Department agency for 11 years, came just days before a department report was to be issued on the handling of the Feb. 28 raid, in which four agents were killed and 16 wounded. At the same time, about a half-dozen cult members were slain.

In a letter to Treasury Secretary Lloyd Bentsen, Mr. Higgins said: "Since I do not agree with all the conclusions reached and actions proposed pursuant to the Waco incident, and since you apparently support the merger of ATF into the FBI as proposed by the reinvention team, I only have two real choices as a career executive where I find myself in serious disagreement with both decisions. I can either ask to be reassigned to another position, or retire. This is to advise you that I have decided to retire effective Oct. 30, 1993."

Court documents indicate that the bureau proceeded with the raid even after an undercover

agent relayed information that the cult leader, David Koresh, and his aides had been warned that authorities were coming to the compound. (AP)

U.S. Senator Indicted in Texas

AUSTIN, Texas — A U.S. senator and two former aides were indicted Monday on charges of misconduct during her 2½-year tenure as state treasurer.

The senator, Kay Bailey Hutchison, a Republican, was accused of felony charges of official misconduct and tampering with governmental records and evidence.

Mrs. Hutchison won a special election on June 5 to succeed Lloyd Bentsen after he became U.S. Treasury secretary. She has denied wrongdoing and accused District Attorney Ronnie Earle, a Democrat, of a political witch-hunt. (AP)

Quota / Unquote

President Bill Clinton, in his maiden address to the United Nations: "My government intends to remain engaged and lead. We cannot solve every problem but we intend to serve as a fulcrum for change and a pivot point for peace." (AP)

A Dawn for Women Refugees

Asylum Pleas Based on Sexual Persecution Are Growing

By Deborah Sontag
New York Times Service

BOSTON — One September night, the night of the 1992 military coup against President Jean-Bertrand Aristide, a tall, slender young woman limped through the streets of Port-au-Prince, Haiti, in a tattered nightgown. Then 16 years old, W. Louis had just been beaten and gang-raped in retaliation for her male cousin's pro-Aristide activities.

W. Louis and her cousin fled the country six weeks later by boat, spent five months at the U.S. Naval Base in Guantanamo, Cuba, and were admitted to the United States to apply for political asylum. As a rape victim, she agreed to speak only if she was identified by her last name.

Her cousin, a student leader threatened with death, is typical of the thousands of men who seek asylum each year. But W. Louis, as a woman and a rape victim, is presenting a type of claim that until recently was seldom heard. Now 18 and a high school student in Boston, she is one of a growing number of women seeking asylum on the ground that they suffered different forms of political persecution because of their sex.

Immigration law has tended to ignore the plight of refugee women. Lawyers and immigration officers often follow their standard line of questioning, and the personal stories of the women never come out. Many judges and immigration officers treat rape and battery, even at the hands of government officials, as private acts. And many interpret a woman's transgression of social mores, the refusal of an Iranian woman to cover her head, for instance, as wardrobe choices rather than political expression.

But change is now afoot. Even though many countries have grown less tolerant of refugees in general, international sympathy has grown for the traumas of women fleeing persecution. The rapes of Muslim and Croat women in Bosnia have been portrayed worldwide as war crimes, not just sexual violence.

The United Nations High Commissioner for Refugees has issued guidelines for evaluating women's applications for asylum, and the Canadian Immigration and Refugee Board has started granting asylum to women persecuted because of their sex.

In the United States, advocates for immigrants are using scores of test cases, involving rape, domestic violence and defiance of state restrictions on women's activities, to try to expand the grounds for granting asylum.

The Immigration and Naturalization Service also is studying Canada's new policy to see if it will revamp its own handling of such cases, said Gregg A. Beyer, director of asylum. Although some critics of the asylum system worry about opening the door to yet another category of applicants, Mr. Beyer said that there would be no blanket admissions policies.

"There's always a fear that anything, even a new nationality or a new category like women or gay people, will open up the floodgates," he said. "There's a perception that if a woman from a Muslim country gets asylum, many might come thinking they're now all eligible. But they wouldn't be. It's case by case, individual by individual."

The test cases brought by immigrant advocates vary from that of a Honduran woman in New York City whom Honduran police refused to protect from her severely abusive husband to that of an Iranian feminist in Boston, an artist

who was forced underground in the early 1980s for painting women in nontraditional roles.

"It was a very hard period of my life," said the Iranian artist, who is now an art teacher at a day-care center. "First, the authorities insisted that we must cover our heads and bodies to protect us from men, as if we were living in a jungle and the tigers were always ready to pounce. And then all my friends were executed."

The women's experiences in the countries vary, too. In San Francisco, a Salvadoran woman whose husband was an informer for the army asked for refuge in the United States because she had been repeatedly gang-raped by guerrillas. During three hours of halting testimony, as she kept her face covered with her hands, the immigration judge clipped his fingernails, said Jonathan Mdivani, an immigration lawyer who represented her. But in the end, her testimony was so compelling the judge granted her asylum.

Sofia Campos-Guardado, another Salvadoran, was not as lucky. Miss Campos-Guardado, whose male relatives were active in an

agricultural cooperative, had been bound, gagged and forced to watch as guerrillas hacked the flesh from her cousins' bodies and shot them to death, according to court documents. Then she was raped while her attackers shouted political slogans, and repeatedly threatened her if she did not keep silent.

The U.S. Court of Appeals for the Fifth Circuit, based in New Orleans, found that there was no evidence that Miss Campos-Guardado was raped because of her political opinions and decided that her rapists' threats were entirely personal.

By law, political asylum is granted to an individual with a well-founded fear of persecution because of one of five grounds: race, religion, nationality, membership in a particular social group or holding a political opinion.

Many lawyers are pushing for a more radical approach by adding persecution because of sex as a sixth ground for asylum.

It is believed that only a fraction of political asylum cases involve women. Immigration officials do not keep such statistics.

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In Indonesia, Signs Of a New Openness

Authorities Loosen the Reins On Dissidents and Journalists

By Michael Richardson
International Herald Tribune

JAKARTA — After being ostracized for years by government and military leaders, A.H. Nasution, a retired general who is one of the country's leading dissidents, left recently for medical treatment in the United States — with all expenses paid by the Indonesian state.

In 1980, Mr. Nasution, a former armed forces commander and defense minister, helped found the Movement of the Petition of 50, a group of retired senior officers, cabinet ministers and religious leaders that publicly accused the military-backed government of President Suharto of abusing power and failing to democratize.

In reprisal, members of the group were prohibited from leaving Indonesia and put under official surveillance. Indonesian news organizations were instructed not to report any of their critical statements.

The other day, in the latest sign of a new openness in the world's fourth most-populous country, General Syarwan Hamid, the chief armed forces spokesman, said no more travel bans would be imposed on individuals for political reasons.

Earlier, in another apparent gesture of reconciliation, Mr. Suharto, also a retired general, held two informal meetings with Mr. Nasution while a close associate, Jusuf Habibie, the minister of research and technology, took several other members of the Petition of 50 group on a well-publicized industrial tour.

In recent months, the Indonesian media have become much bolder in discussing politically sensitive issues, such as the rapidly expanding business empire controlled by Mr. Suharto's sons, daughters and other relatives.

The Indonesian parliament has also become more assertive in questioning ministers about government policies and in seeking greater financial autonomy from the executive.

Political analysts said there would probably be another significant development next month when Golkar, the de facto governing party established by the military in 1964 to counter communism and maintain stability, holds its congress.

With Mr. Suharto's backing, the congress is expected to elect Harmoko, the information minister, as

Golkar chairman. He would be the first civilian to lead the group.

Some critics contend that the army is out of step with the demand for change in Indonesia and should withdraw from day-to-day involvement in politics and politically related issues, such as intervention in labor and land disputes on the side of employers and developers and against the poor, on the pretext of maintaining order.

Mr. Suharto, who is 72, has been in power since 1966. He was appointed in March to another five-year term as president by an electoral body dominated by his nominees.

Few Indonesian analysts suggest that the president is losing his grip. Indeed, many believe that he may seek reappointment in 1988, provided he remains in good health.

Nonetheless, sustained economic growth, the spread of education, rapid expansion of the private sector and the rising influence of an urban middle class are creating a more assertive civilian component in Indonesian society.

"Indonesians are better informed, they are traveling more and beginning to demand more from a political system that has been ossified," said a Western diplomat.

Mr. Suharto appears to acknowledge the need for change. He said last month that frictions, conflicts or even controversies in "our growing, dynamic society" were unavoidable.

The job of the government is not to dampen them, he added, but to develop procedures for creating consensus and solving problems in a peaceful and fair way.

Otherwise, he warned, Indonesia will face chaos and disaster "caused by a tyranny of the minority or a dictatorship of the majority."

Many analysts link the wooing of prominent dissenters and the loosening of controls over the media and parliament to maneuvering between the president and military power brokers, with each side seeking to make new allies.

"It's all a facade," said an Indonesian editor. "It's not institutional openness; it's vested interest openness."

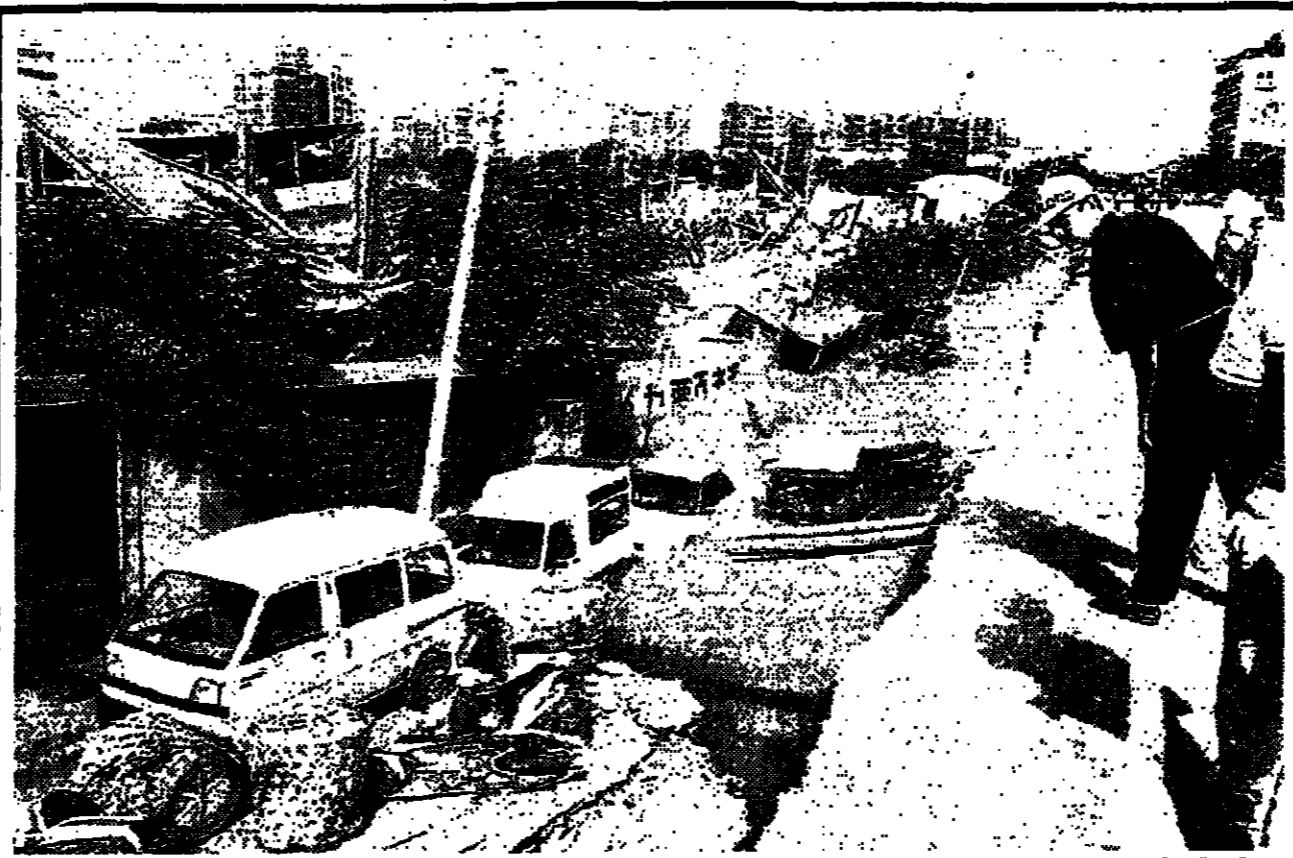
Despite some easing, the government has in the past few months prevented an independent union congress from taking place and has vetoed elections for the leadership of the Indonesian Democratic Party, the closest thing the country has to a political opposition.

In June, the Indonesian Supreme Court rejected a challenge to a ministerial decree that gives the government authority to close down newspapers.

Nor is there any indication that Mr. Suharto is contemplating any fundamental reforms, such as ending the ban on student political activities on campuses or opening up the party system.

However, Adnan Buyong Nasution, a leading human rights lawyer, said that Mr. Suharto evidently realized that "he must broaden his political support and open dialogues with people who have been very critical."

"Whatever his motivation and however small the loopholes," he said, "we should make use of this to strengthen the democratic movement in Indonesia."



TAIWAN CAVE-IN — Two people were hurt and dozens of cars wrecked when a building collapsed, caving in a road near Taipei.

China and Britain Far Apart on Colony

BEIJING — China and Britain remain far apart on the contentious issue of political change for Hong Kong, the British ambassador to Beijing said Monday at the end of the 12th round of talks on the issue.

"I don't think I want to characterize the round with adjectives, but I think it is no secret to say that we have not made as much progress as we would have wished," said Sir Robin McLaren, who heads the British side in the negotiations.

"There is still a substantial gap," he said.

The talks, aimed at finding consensus on proposed changes to Hong Kong's electoral system before the British colony returns to Chinese rule in 1997, have dragged on since April with no public sign of progress.

The two-day session that ended Monday was the last before Foreign Secretary Douglas Hurd and his Chinese counterpart, Qian Qichen, meet in New York this week.

breakthrough, although he said it would be extremely useful.

"I don't think the two foreign ministers will be regarding this as a negotiating session," he said. "Their meeting will take place in the context of the General Assembly in New York and they will have a limited amount of time available."

"But I am sure they will want to review the state of the talks and consider between them how best to go forward."

Sir Robin and his Chinese counterpart, Deputy Foreign Minister Jiang Enzhu, will hold their 13th round of talks on Oct. 11 and 12, after a major speech by Hong Kong's governor, Chris Patten.

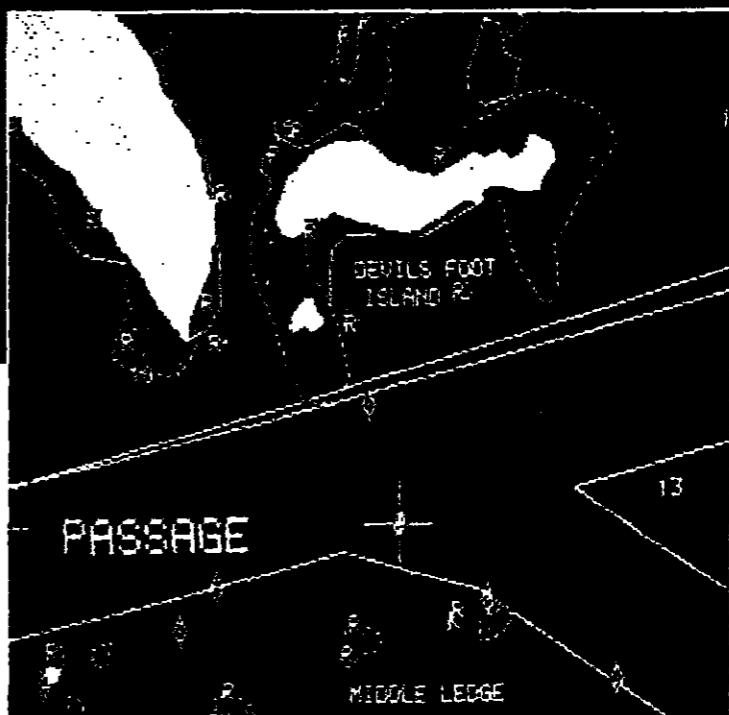
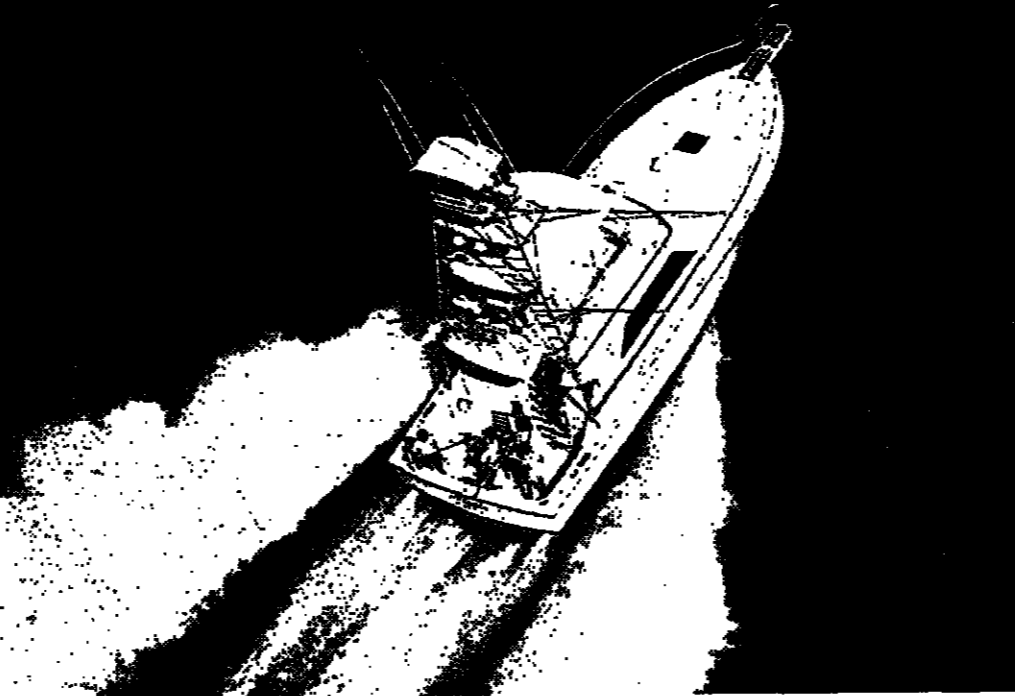
Mr. Patten set off the row between the two countries in his October state-of-the-territory speech last year when he proposed reforms that would allow Hong Kong people to vote for the majority of their legislators for the first time.

China blasted his proposal as a violation of previous agreements and understandings between London and Beijing.

Britain rejects that interpretation.

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U.S. Senate Drops Ban On Jakarta Arms Sales

JAKARTA — The Indonesian government expressed relief Monday over the dropping of a proposed U.S. Senate amendment to ban arms sales to Indonesia because of its human rights record in East Timor.

The proposal called for the ban unless Indonesia allowed international human rights groups unrestricted access to the Portuguese colony, which Indonesia annexed in 1976. Indonesia came under sharp criticism in the West after its troops killed dozens of pro-independence demonstrators in East Timor in November 1991.

Nina Berberova, Lecturer And Writer, Is Dead at 92

PARIS — Nina Berberova, 92, a Russian-born writer and lecturer who left her country in 1922 because "they were starting to shoot poets," died in Philadelphia on Sunday, her French publisher said.

Born a well-to-do St. Petersburg family, Miss Berberova toured Europe before settling in France and then moving to the United States in 1930, where she lectured at Yale and Princeton.

Lauded for her interpretations and teaching, she was given honorary doctorates at both universities. It was only in 1985 that the world discovered Miss Berberova as a writer after a French publisher.

Hubert Nyssen, of the Actes Sud publishing house, began to print her many works.

Among them are "The Accompanist," "The Revolt," "The Tattered Cloak," biographies of such figures as Tchaikovsky and Alexander Borodin, and her autobiography "The Italics Are Mine."

Brian Garraway, chairman of the regulatory board at the Lloyd's of London insurance market, died Friday. Mr. Garraway, who recently suffered a mild heart attack, apparently died in his sleep, Lloyd's said Monday. He was born in 1931, according to a Lloyd's spokesman, who did not know Mr. Garraway's precise age.

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OPINION

INTERNATIONAL Herald Tribune

A Vital Assignment For the UN Sultan

By Jim Hoagland

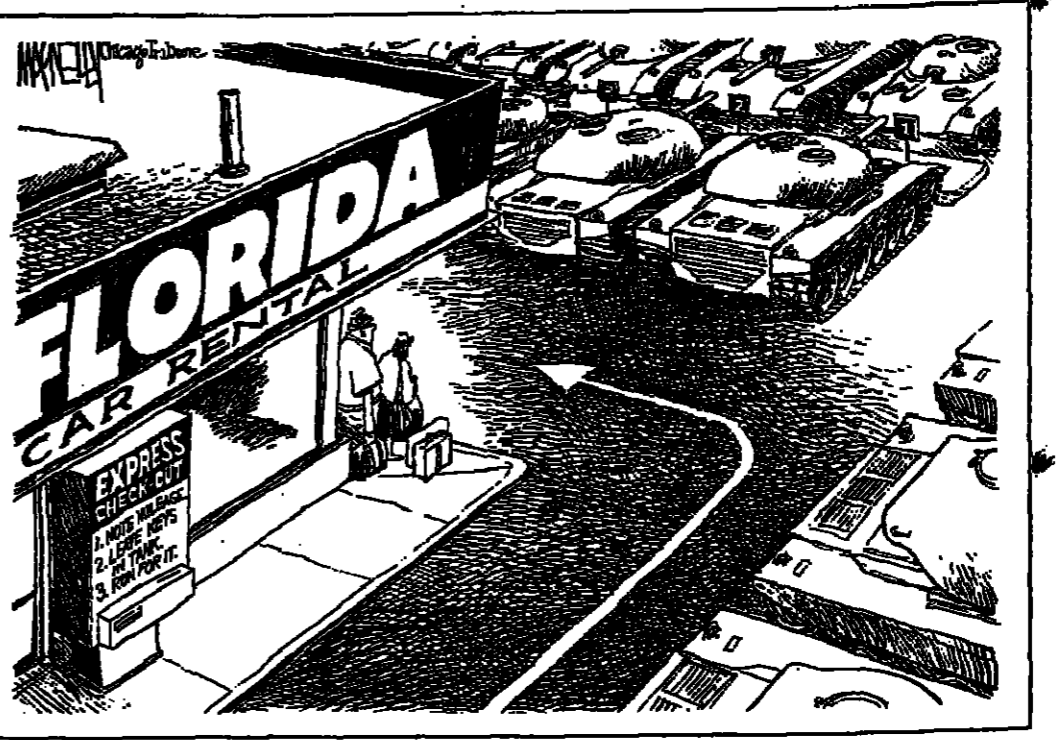
North Korea in the Dock

The clock ticks inexorably on, but is the world listening? It is two years since suspicion dawned that the North Koreans were probably trying to build The Bomb. It is six months since they walked out of the Nuclear Nonproliferation Treaty...

chemicals to Iran, would simply wave the inspectors in, and get ready to laugh. So are they wasting time in order to hide the evidence? That would be hard—nuclear waste is bulky stuff, and tends to leave traces behind—

WASHINGTON — When an American named Ion Perdicaris was kidnapped by the Berber chieftain Raisuli in Morocco, Theodore Roosevelt dispatched this message: Perdicaris alive or Raisuli dead. The American was released.

What began 10 months ago as a benign effort by 28,000 American soldiers to feed starving children has mushroomed into a small war between General Aidiid and United Nations peacekeepers, who rely on American firepower for their offensive capability.



power. The American attention he gets builds him, or his successor without his own, into a national symbol of resistance. It turns him into a tool for more important anti-American forces like Iran or Sudan, ever alert for new opportunities to pull Uncle Sam's beard.

It is time to shrink and clarify America's goals in Somalia, which cannot serve as a model for democracy in Africa without a massive U.S. commitment, one that Mr. Clinton is in no position to make. This fight should no longer be cast as a U.S. vendetta against one Somali warrior.

Clinton administration strategists underestimated how much things have changed, along with General Aidiid's determination and the sophistication of his band's weaponry. He came out shooting rather than accept ultimatums to cooperate in a political redesign for Somalia that would eliminate his power.

Sending Treasures Home

The so-called Lydian Hoard, a cache of 2,500-year-old silver looted until this month at New York's Metropolitan Museum of Art, is not that high-profile among museum treasures. True, it is said to be a stunning collection—bowls, flasks, jewelry, glassware and other precious objects found in tombs dating from the classical reign of the legendary rich King Croesus.

lays heavy emphasis on this case's special features. For one thing, the looting in question apparently took place in 1961, before the United States had signed a pivotal UNESCO treaty governing law in this field.

There Are Better Ways to Pursue Peace Than Mere Deterrence

By Andrew Mack

CANBERRA — Nation-states spend too much on the military instruments of security and not nearly enough on prevention, resolution and management of disputes. Even at the United Nations, where the "Agenda for Peace" report last year by Secretary-General Boutros Boutros Ghali stressed nonmilitary approaches to security, there are only 40 staff working in the area of preventive diplomacy and peacekeeping.

were horrendous. The financial costs to the UN coalition that repelled the Iraqi invasion amounted to some \$70 billion. By contrast, the increase in the United Nations' capability to undertake preventive diplomacy which Mr. Evans proposes would cost a mere \$21 million annually.

Both common and collective security focus primarily on military questions, but the central thrust of Mr. Evans's approach is toward preventive—nonmilitary—diplomacy, or what the United Nations calls peace-building. At the international level, the major instruments of peace-building are cooperative regimes and institutions, for example, the Chemical Weapons Convention and the International Court of Justice.

rights. Few would disagree that these are desirable economic and social goals, but they should also be seen as security goals. One of the best established findings in international relations research is that democracies do not go to war against each other.

NAFTA and Environment

Environmentalists, accustomed to unified struggles against common enemies like air pollution and Ronald Reagan, have fallen to fighting among themselves over the North American Free Trade Agreement. Grass-roots organizations like Friends of the Earth say it will create a polluters' paradise in Mexico and degrade America. Mainstream groups like the National Wildlife Federation say it all but guarantees a cleaner Western Hemisphere.

ary between Mexico and the United States is undeniably a cesspool. "Dirty" U.S. industries like petrochemicals have flocked to the border zone because, under Mexican law, the goods they manufacture can be shipped back to the United States duty-free.

China and Brazil: Favelas Around Beijing and Lift-Off for Rio?

By Philip Bowring

HONG KONG — Perhaps Beijing is fortunate not to have got the Olympics. By the year 2000 it seems quite possible that the city, which has undergone dramatic modernization in the past decade, will be surrounded by shantytowns that will dwarf Brazil's infamous favelas.

China needs in land and labor productivity is becoming harder. Brazil, with its extensive land and fairly capital-intensive agriculture, should find it much easier to keep farm output well above population growth, higher, in fact, than that of China today.

Brazilian tariff reform and now privatization are reshaping much of the import-substituting, often state-owned industries which drove Brazil's expansion in the 1960s and '70s when rates of GNP growth were similar to those of China today.

Manufactures still comprise only 60 percent of exports, but value added is very much higher than for China's exports, which are mostly simple assembly operations. Exports as a percentage of GNP are only half the Chinese level, but their import content is very low.

Highly damaging though it is for investment, Brazil's sophisticated inflation indexation system and high real interest rates have kept the savings rate surprisingly high. China's savings rate recently has been even higher, but it may be vulnerable to low real interest rates.

International Herald Tribune
KATHARINE GRAHAM, ARTHUR OCHS SULZBERGER
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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92521 Neuilly-sur-Seine, France. Tel. (1) 46379300. Fax: Circulation, 46370551; Advertising, 46372122.

Argentina's Rising Cloud of Threats

By Pepe Eliaschev

BUENOS AIRES — On my radio talk show we have open phone lines for listeners to call in. Twice last week, an anonymous caller told a producer that my sons and I would be killed for being "enemies" of the government of President Carlos Saul Menem.

The government's security efforts have been ineffective. We have had five interior ministers in four years. Terrorists have operated with relative impunity. In March 1992, the Israeli Embassy was bombed and destroyed; 28 people died. Not a single suspect has been arrested.

The government has shown contempt toward aggressive journalists investigating government corruption. Mr. Menem coined the phrase "journalistic delinquents," which he freely applies to any reporters not on the government's payroll.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1893: Shooting Gallery

NEW YORK — A stranger, seadily dressed, entered the gallery of the Board of Trade in Chicago this afternoon [Sept. 27] and began unasily to pace up and down, watching the crowd of excited brokers in the pits below.

1943: A Candid Warning

WASHINGTON — [From our New York edition:] The nation's military chiefs bluntly warned a conference of 200 industrial, labor and newspaper leaders today [Sept. 27] that recent victories of the United Nations have failed to affect Axis strength in any vital degree and that there is no likelihood of an early collapse of Germany and Japan.

1918: Bulgarian Plea

PARIS — Bulgaria has asked for an armistice as the first step to peace. With General Franchet d'Esperey's all-Allied army driving the Bulgaro-German armies in headlong retreat, and the British already treading Bulgarian soil, Tsar Ferdinand realizes there is no time to be lost.

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Simply Modern: Contrasting Looks at Luxury for the 1990s



What is modern? Two strong designers, Hervé Leger in Paris and Yugoslavian-born Zoran, working out of New York, offer two contrasting visions of fashion now: the artful simplicity of couture brought up to date versus the stark simplicity of minimalism.



Zoran, with his models: "I don't use all those old-fashioned dummies. I make the proportions of the body."

Hervé Leger, and mannequins: "I am completely against floppy fashion and grunge because it is not attractive."

LONDON — Zoran Lazarevic (just call him Zoran) is adjusting a black cashmere sweater so that it dribbles over a bared shoulder, runs over the body and

flows into the oyster satin skirt below. "Simple shapes, comfort and uncluttered is the American way," Zoran says. "I imagine and analyze in my mind — I don't use all those old-fashioned dummies. I make the proportions of the body, everything in one size. The European mind is still living in the 19th century. Americans accept what is modern."

Zoran has become a prophet in his own fashion lifetime. In 1976 he stated his philosophy of minimalism and became the Mies van der Rohe of clothing as he sent out basic elements of American sportswear in luxurious fabrics. His less-is-more clothing — a cashmere sweater, saia T-shirt, simple pants and collarless cardigans — built up a cult following before his style was eclipsed by the extravagance of the 1980s. In the penitent 1990s, Zoran, with his black beard, black sweater and black pants, seems like the founding father of the modernist cult.

"I am someone who was always going against the wind," he says. "This most reclusive and recalcitrant of designers was in London last week to celebrate 18 years of collaboration with Browns boutique and its owner, Joan Burstein, who had found Zoran in his bare SoHo studio and stuck with his plain, neutral-colored clothes through the opulent 1980s. The de-

signer himself, in a fit of the prickles, withdrew his clothes from most of the major American stores in 1983 (he sells at Barneys) and concentrated on a private clientele that includes Isabella Rossellini, Laura Hutton, Candice Bergen and Queen Noor of Jordan.

What is modern for Zoran, 46, brought up in the European tradition but anchored in New York? "Comfort, simplicity, practical-

All the prostitutes. A woman who had married and had children never went on the streets showing her body."

What about stretch leggings? Zoran dismisses them as "young and athletic — they are not fashion." He insists that modern clothes must be wearable throughout the business day, travel well and work for a woman who "can wear anything she wants. She is intelligent and she is deciding."

It is a fashion conundrum that minimalism works only if the designer is using the classic materials. Zoran's clothes are inevitably expensive — \$600 sweaters and a bathrobe of a cashmere coat at \$2,500.

"She knows that she can wear it for the years — then the value is justified," Zoran says.

"No human being refuses luxury — but you have to remember that you have to pay for it — and you cannot complain that it is too expensive," says the designer, claiming that he can tolerate only cashmere on his body and that he rejected wool, even as a child in Europe skiing, as "like a Brillo pad."

Luxury, he says, is "never to be irritated." His coats may have hoods framing the neck in soft folds, but they are never encumbered by collars. Starch to him "is not possible."

The French idea that you have to "suffer to be beautiful" is anathema to Zoran — a throwback to the era of corsets, before women exercised to maintain the body and knew what to eat. It is also part of a fashion philosophy that belongs to the old idea of Europe and to a previous era.

"There are always big changes at the end of the century — think of cubism, when the fashion for modernism started in architecture and art," he says. "I am not the label of the 1990s, but the beginning of the next century."

Suzy Menkes

By Suzy Menkes
 International Herald Tribune

PARIS — Hervé Leger is watching a curvy little dress — like the one that Princess Stéphanie of Monaco wore to the Cannes film festival. "The notion of seduction is something indispensable," says Leger. "Feminism has done good things, but women have lost the power of seducing. Not every woman wants to wear a jogging suit."

Leger is opening the most discreet fashion store in Paris this week. It is on Faubourg Saint-Honoré, but up one flight, behind closed doors. There the 35-year-old designer has created a salon in the traditional sense — rococo gilded mirror, walls painted with a Gauguin-esque sunset, billowing lavender taffeta curtains, wallpaper depicting a Florentine landscape. Yet all that is laced with modernity: an André Putnam lamp, a graphic checkerboard carpet and mannequins in a rainbow coalition of vivid colors.

The decor is symbolic of Leger's clothes, which are traditional in construction but modern in spirit. Although the dress that molded Leger's body when she married David Bowie was made to order, Leger works not just in couture but also sells an off-the-rack collection. He picks out his favorite jacket, fitted snugly to the torso, lightly padded at the hips to emphasize the small waist. Other jackets are black crepe with a spider's web of seams and pockets emphasizing



Princess Stéphanie, in Leger's pink-and-black bandage dress, with Michael Jackson at Cannes.

ing the bosom, or long and sleek with pinstripes worked in chevrons. They cost around 7,500 francs (about \$1,300).

The clothes are a complex grid of pattern pieces and stitches, but the overall effect is simple and streamlined.

"I believe in modern luxury, which means comfort and quality," he says. "You can't fight Gap, the Limited and Kookai — these people are strong and their clothes are good. But I want to do luxury — in my own way."

Ten years ago, Leger was on

a high, creating the ready-to-wear collections at Chanel after working with Karl Lagerfeld at Fendi. He had come to Paris from a small town, where his passion was the cinema, run by his uncle. A spell with the designer Tan Giudicelli had led to the collaboration with Lagerfeld, which ended after two years at Chanel amid rumors that the protégé had let success go to his head. Leger praises Lagerfeld, citing his "fantastic culture and technique," and says only that there was "a difficult period."

In 1985, he set up his own label and built up a young, glamorous clientele from a tiny studio, as well as selling to American stores. The decade went flat for fashion in the 1990s, but Leger's business was backed by Seagram, the owner of Mumm champagne, which decided to invest in the designer in 1992. That backing is behind the new premises at 29 Rue du Faubourg Saint-Honoré — a historic building where Coco Chanel was once a tenant.

Leger says that he was contacted by various businesses but "wanted people who were understanding, not fashion people, but those who would listen to me and have mutual respect." He does not plan a mighty fashion empire but hopes to do shoes, cosmetics, "because I love colors," and lingerie "because it corresponds to my spirit."

There is something intensely French about Leger's style: a pampered, Parisian elegance that used to mean teetering out in stiletto heels with a poolie, but now translates as a sophisticated awareness of the body and a discreet sexual allure. He talks a lot about "seduction," and his clothes would not be deemed, for those who care about such things, politically correct.

"I am designing for a woman who wants to please and seduce and who wants to be noticed," says Leger. "I don't have a blockage about it or find the idea of attracting men shocking, although I detest vulgarity. I am completely against floppy fashion and grunge because it is not attractive. I think that there is still a desire to seduce and that it is a pleasure to see so many badly dressed people."

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NYSE

Monday's Closing
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12 Month 52 Week High 52 Week Low

Symbol	Price	Change
IBM	115 3/4	+1/4
MSFT	61 1/2	+1/2
GE	48 1/4	+1/4
WAL	111 1/2	+1/2
DIS	41 1/2	+1/2
BA	61 1/2	+1/2
AT	31 1/2	+1/2
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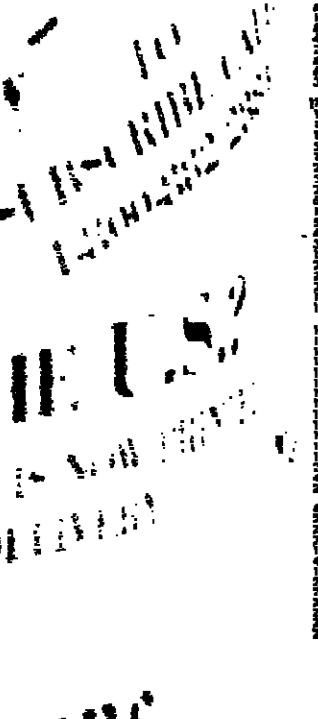
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NASDAQ

Monday's Prices
NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Table of NASDAQ stock prices including columns for High, Low, Last, and Change. Includes a legend for market status (U, D, H, L, S, O).

Table of NASDAQ stock prices for companies starting with 'A' through 'C'.

Table of NASDAQ stock prices for companies starting with 'D' through 'F'.

Table of NASDAQ stock prices for companies starting with 'G' through 'I'.

Table of NASDAQ stock prices for companies starting with 'J' through 'L'.

Table of NASDAQ stock prices for companies starting with 'M' through 'O'.

AMEX Monday's Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

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Notes: Figures are unofficial. Yearly highs and lows reflect trading data. When a split or stock dividend occurs... (Detailed legend for market status and data interpretation)

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Global Banking and Finance

Freedom For French Institutions

By Jacques Neher

PARIS — With some of France's biggest banking and insurance institutions set to be privatized, the rules of the game are about to change for the country's financial industry.

By entering the private sector, analysts say, the institutions will be freed up to invest, restructure and find partners for international growth according to their internal strategic needs — and be less subject to the whims of the government. At the same time, with the state's strings to the financial sector becoming detached, the privatizations should result in a more competitive climate that will benefit businesses and consumers, but put additional pressure on already squeezed bottom lines.

The privatization campaign, which involves 21 companies, is to kick off, as early as this week, with the sale of the state's majority stake in Banque Nationale de Paris, the second largest French bank in terms of assets. If all goes as planned, the sale of BNP will be followed by the privatizations over the next few years of another French banking giant, Crédit Lyonnais, as well as the much smaller Banque Paribas and the Société Marseillaise de Crédit.

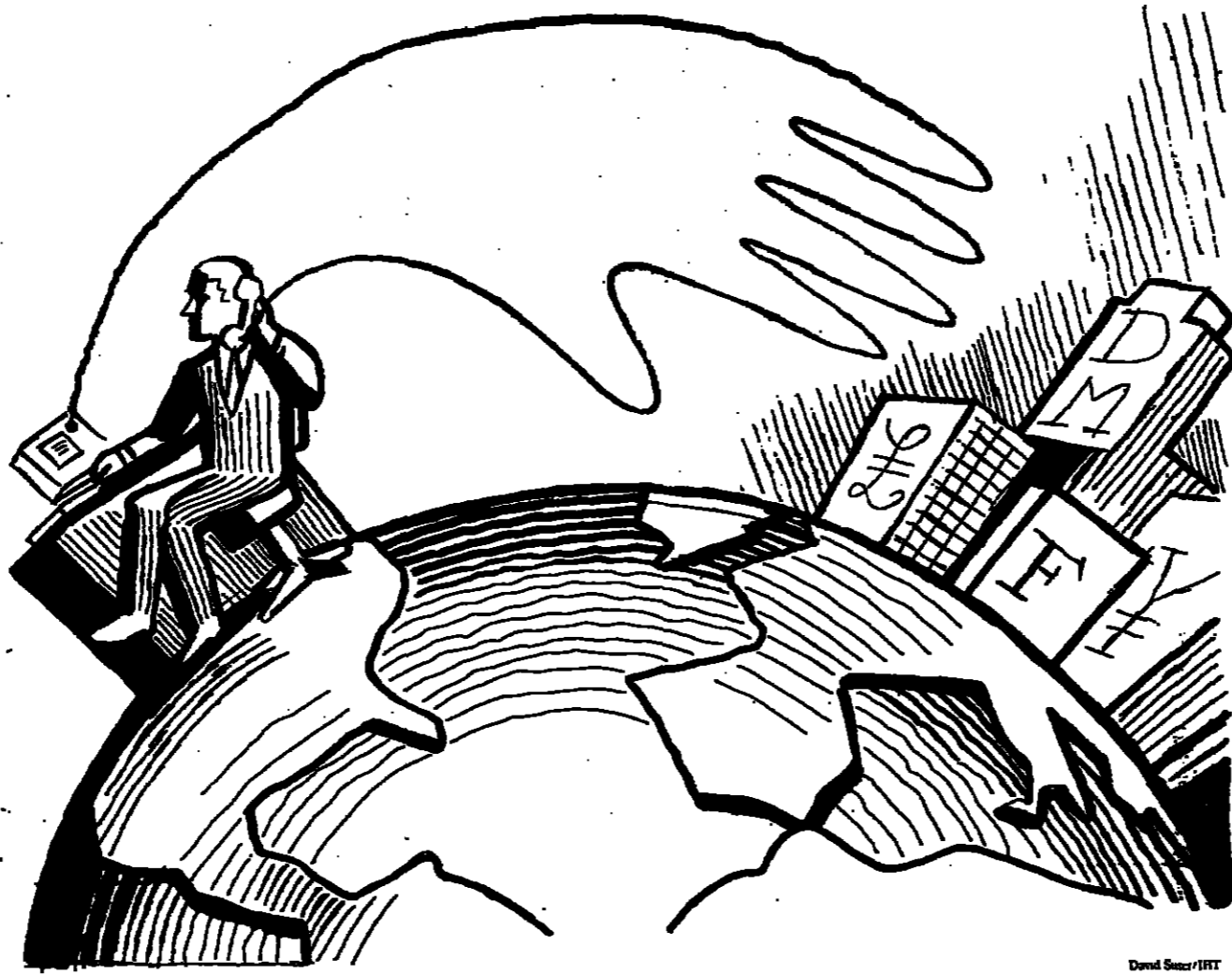
In addition, the government of Prime Minister Edouard Balladur plans to sell off the three biggest state-owned insurance groups — Union des Assurances de Paris (UAP), Assurances Générales de France (AGF) and Groupe des Assurances Nationales (GAN) — plus the Caisse Nationale de Prévoyance, a specialist in life insurance, and the Caisse Centrale de Réassurance, which focuses on reinsurance.

The privatization program should lead to a host of changes in the ways the big banks are managed and the strategies they pursue, particularly as the need to shore up the bottom line for investors becomes a primary concern.

"I expect more layoffs and a cost squeeze at BNP," said Marie-Laure Favre-Gilly, analyst at Baring Securities in Paris.

Indeed, Michel Peberau, who became chairman of BNP in May, has said he intends to streamline and refocus the bank's vast 2,000-branch network, particularly in

Continued on page 16



In Japan, Fears of a Meltdown Dissipate

By Steven Brill

TOKYO — Doubts about the solvency of Japan's mighty banks have eased over the past year, but bad debts continue to mount, cutting into profits, crimping lending and helping to delay recovery in the world's second-biggest economy.

Just 13 months ago, fears that a major Japanese bank might collapse in the aftermath of the implosion of the bubble economy of the late 1980s were at the center of a vicious downward spiral of the share market. As the Tokyo Stock Exchange's Nikkei index skidded below 15,000 points, threatening financial meltdown, the Finance Ministry

came to the rescue by waiving rules on disclosure and guiding public funds into the stock market.

In recent months, though, panic has been replaced by cautious optimism. The Nikkei has been trading between 19,000 and 21,000, high enough to put Japanese banks comfortably above their 8 percent capital-adequacy ratios and obviating the need to dump stocks to boost capital. Interest rates at historically low levels have also boosted spreads between lending and borrowing and helped shore up profits. Equally important, prices for property, the main source of collateral in many loans, appear to be stabilizing.

Yet, if fears of meltdown have ebbed, at least as long as the equity market stays above 18,000, the bad debt problem festers. The

question has become less whether Japan's banks are sound, but more how long it will take to heal their wounds and resume lending to an economy in profound need of restructuring.

"Financial solvency is no longer an issue," said David Snoddy, an analyst at Jardine Fleming Securities. "But the banks have really been burned and are not willing to lend." That could become a major problem when the economy, and loan demand, pick up, he added.

Just how badly burned the banks are remains open to question. In November, when 21 big banks announced the amount of their nonperforming loans at the end of Septem-

Continued on page 15

Companies Diversify Ways to Raise Money

U.S. Business Goes Shopping Abroad To Tap the Stock and Bond Markets

By Conrad de Aenlle

IT used to be that when a company wanted to raise finance, it went down to the local bank. Now there's a good chance it will head to the local stock exchange or bond market. And if there's nothing suitable there, it may shop around for a better deal in markets halfway around the world.

Traditional banks are becoming increasingly less important as a source of capital for business; for three years, commercial lending has been flat in the United States, and the outstanding value of commercial and industrial loans has fallen. At the same time, the growth in corporate finance arranged through other means has been astounding.

As of mid-September, the value of initial public stock offerings in the United States totaled \$25 billion, figures compiled by Securities Data Co. show. That is more than 1992's record sum, which itself was twice as much as in the 13 years through 1982 combined. Last year also set a record for secondary offerings, or share sales by companies already trading publicly. At the present pace, a new record will be set this year.

U.S. corporate debt issues, likewise, are on pace to break the record set last year of \$32.1 billion; that amount was well above the previous year's total of \$28 billion and more than twice the total recorded for any other year, the Securities Data numbers show.

The trend toward nonbank financing is not just an American one: Through mid-September, debt issues outside the United States reached \$310 billion, breaking last year's record. The figures for equity offerings are not as persuasive. Although they have been increasing for several years, they still lag the totals reached in the middle of the last decade, which were probably skewed by a spate of European and Japanese privatizations.

The simplest reason for corporations tapping the stock and bond markets is that share prices in every major market except Japan are near all-time peaks, and interest rates, particularly in the United States, are

close to their lowest levels in a generation. That supply of corporate paper has easily been matched by demand for it. Savers have been forced to chase the higher returns they offer because of a worldwide decline in bank deposit and money market rates. The chief conduit out of cash and into stocks and bonds are investment funds, which have been attracting money at an unprecedented rate.

"The mutual fund surge is contributing to the longest-running initial public offering boom in recent times," Sorrell Mathes, head of corporate finance in Prudential Securities' investment banking group, notes in a report. "Mutual funds have large cash inflows to invest, because of low interest rates, on alternative investments for individuals. The need to invest these funds has fueled considerable demand for all equity products, especially IPOs."

The growth of funds, and of stock and bond offerings, is capitalism in action. Funds do the same things for savers as banks do, only cheaper, and so savers get higher returns.

MEANWHILE, investment banks have been taking over the role that commercial banks have played in arranging financing: by putting together bond and stock offerings, they can route money more efficiently to the companies that need it. The result in both cases is that conventional banks touch a lot less money than they used to.

"Investors' funds are bypassing the intermediation of banks and increasingly flowing directly, or more particularly via bond funds, into bonds as the financing role of bank lending is reduced from its excessive levels of the 1970s and early 1980s," said Howard Flight, director of Guinness Flight Global Asset Management.

Also greasing the financial machinery is the proliferation of cross-border trading. New technology has allowed companies to scour any continent for the best financing arrangements and has granted investors ac-

Continued on page 16

Mega-Mergers Shrink the Bank Sector

Around the World, Excess Capacity Is Being Soaked Up

By Philip Crawford

PARIS — To say that mergers have been a recent trend in the global banking industry is to understate the fact dramatically. It has been more like a cascade, a whirlwind, a juggernaut. And experts say that the sharp consolidation will continue until the considerable surplus that still remains in the global banking system has been eliminated.

Theories regarding the forces that have precipitated such severe downsizing are legion. Some simply blame deregulation, while others point to overly aggressive business strategies that led to clumsy loans, too many of which ended up in default. There are analysts who say that bankers, along with a lot of economists and brokers, merely underestimated the depth of the recent recession. Some experts even maintain that the roots of the merger movement are to be found 100 years ago.

But one thing is certain: The number of banks in the world is shrinking fast, as the strong devour the weak and as forward-looking strategic alliances are struck, both on a domestic and a cross-border basis. Indeed, on the international side, there have been 617 cross-border banking mergers valued at \$32.9 billion during the period from Jan. 1, 1988, through June 30, 1993, according to KPMG International in Amsterdam, which tracks global mergers and acquisitions.

These days, when boardroom banter turns to the topic of bank mergers, it is the United States that is often perceived as being the real hotbed of activity. One reason for that is the series of high-profile mergers that has taken place there over the past two years: Chemical Banking with Manufacturer's Hanover, NCNB with C&S/Sovran, and BankAmerica with Security Pacific. At the end of 1992, the three banks that emerged from those deals (Chemical, NationsBank and BankAmerica) held a combined total of \$438 billion in assets.

BUT the mega-mergers have been equally as prevalent in Europe. In early 1990, Den Danske Bank and Copenhagen Handelsbank, Denmark's two largest commercial institutions, combined to form a Scandinavian banking power with 100 billion in assets. (then \$41.5 billion) in assets. The previous year, Unidankmark Bank, now the second-largest Danish bank, was formed from the merger of Privatbanken, SDS, and Andelsbanken. It was also in 1990 that Algemene Bank Nederland

and Amsterdam Rotterdam Bank merged to form the Dutch giant ABN AMRO.

There has been serious action to the south, as well. In May 1991, Banco Hispano Americano and Banco Central announced in Madrid that they would merge to form Spain's largest bank. Last year, HSBC Holdings, the parent of Hong Kong & Shanghai Bank, bought out U.K.-based Midland Bank for \$5.5 billion. And early

Sasha Serafinovski, a banking specialist at Merrill Lynch in London, said consolidation in Europe has been partially the result of forces set in motion by deregulation. "The gradual deregulation of European banking has hit hard and brought about severe competition," he said. "The banks have had to bid up interest rates paid on deposits in order to attract customers, while at the same time lower the rates they charge on

serve Bank of New York revealed an eye-opening statistic in a speech to bankers: In the United States, there are approximately 45 commercial banks for every one million citizens. In the United Kingdom, the figure is nine banks per million. In Germany, four, and in Japan, one.

The structure of the U.S. banking industry in past decades, with its proliferation of small banks and its heavy, cost-laden framework, is an anachronism which is not at all suited to the competitive and technological environment of today," said James J. McDermott Jr., president of Keefe, Bruyette & Woods, a New York brokerage specializing in bank stocks. "Banks have also been losing share in the overall financial services market for decades. Fifty years ago they had 80 percent, now they have about 25 percent. Securities firms, fund companies, insurance companies and the like have taken that business away."

"All of this has been a force in the merger movement," continued Mr. McDermott. "One reality is simply that you don't need to go to a bank for things you used to go there for, such as a mortgage or a credit card. We're seeing a remake of the banking landscape."

MR. McDermott said the overbanked framework of the U.S. industry dates back to the 19th century, when people feared the potential power of a handful of big banks, a premise that led to the evolution of many small ones. He also predicted that more mergers — and large ones — will take place in the United States during the next few years. "There's a lot of action right now among banks with assets of between \$400 million and \$4 billion," he said. "I look for merger activity to continue there."

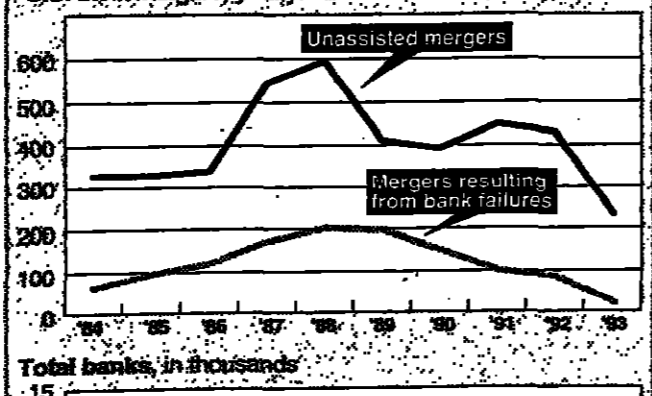
Like their counterparts in Europe, many U.S. analysts say that domestic bank mergers have by and large been successful. Executives of the banks involved tend to agree. "We're on schedule to reach the savings we targeted at the merger's outset," said Peter Tobin, Chemical Banking's chief financial officer. "We said that we'd save \$525 million by the end of 1993, and we're on track to achieve savings of \$710 million in 1994 and \$750 million in 1995."

By the time Chemical's merger with Manufacturer's Hanover is fully integrated, over 6,000 jobs will have been cut through layoffs, attrition, and retirement. About

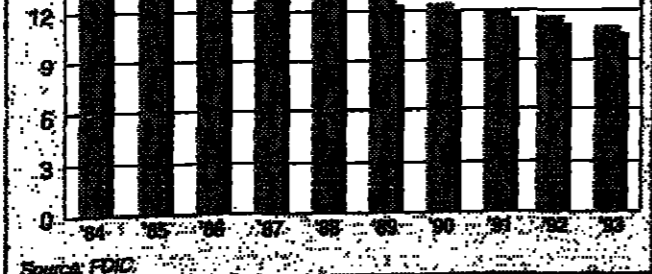
Continued on page 16

Shrinking U.S. Commercial Banks

U.S. bank mergers, yearly.



Total banks, in thousands.



Source: FDIC.

this year, Crédit Suisse acquired the troubled Swiss Volksbank.

"There has long been excess capacity in the system," said Christopher Davis, who tracks the European banking industry for the London brokerage Barclays de Zoete Wedd. "The competitive and profitability pressures are continuing to squeeze out those who can't survive. Ultimately, I think you're going to wind up with four or five major players in the larger countries, and perhaps two in the smaller countries."

Mr. Davis said that in Italy, the forward trend will be absorption of the smaller players by the larger banks such as Banca Commerciale Italiana and Credito Commerciale, as opposed to mergers of the larger banks themselves. Germany's banking industry, he said, while not having moved strongly toward consolidation yet, should see substantial staffing cutbacks in the near future.

loans. It's a double whammy. And with profit margins so low, the banks have gone for increasingly risky loans, which have turned into deep losses.

Mr. Serafinovski said that, by and large, European mergers have been successful in cutting costs, increasing efficiency, and developing leaner, more profitable operations. "But it remains to be seen how these synergies pan out over a long period of time," he added.

For every merger in Europe, however, there appears to have been several in the United States. From the beginning of 1984 through the second quarter of this year, according to statistics compiled by the United States Federal Deposit Insurance Corporation, over 5,000 U.S. bank mergers were completed, about 30 percent of which involved a bank failure.

More consolidation seems sure to come. This summer, a senior vice president of the Federal Re-

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Swiss Restructuring Sets Stage for a Revival of Merger Activity

By Sarah Veal

GENEVA — Although Switzerland's mergers and acquisitions activity fell in 1992 by 40 percent and figures for January-August show a similar level for this year, several trends are setting the stage for an M&A boom two or three years hence.

As Swiss banks maintain a tight hold on credit, cash-strapped companies are opting to set up alliances rather than continue the acquisition rate that made Switzerland the top foreign buyer (61 deals) in the former East Germany in 1991. These alliances will begin to show up as mergers and acquisitions in a few years' time.

"The volume, in terms of dollars, will be less striking because alliances imply much less volume in terms of transition values," said Frédéric de Boer, general manager of Zurich-based consultants, Translink Helbling AG. "But if you look at the number of companies that are going to be acquired, it is very important."

Whether you buy now or buy time de-

pend on the sector. "Swiss banks and insurance companies have the money to buy abroad, so 20 out of the 69 Swiss acquisitions this year are in that sector," Mr. de Boer said. "In engineering and machine tools, restructuring is not yet over. There are still 100 many small companies on the market. For now, they don't have the cash to buy so they are making alliances and joint ventures."

Part of the equation is the nature of Swiss companies. Contrary to the muscular image of such multinationals as Nestlé, Ciba, San-doz and ABB, typical Swiss companies are small, family owned and serve niche markets — characteristics that are particularly suited to alliances.

"There are some very powerful companies in Switzerland, but the majority are small and have a cash problem," said Mr. de Boer. "An alliance is perfect for these more modest companies because it allows them to take their time and see how the synergies can work without the pressure and heavy cash requirement that comes with an acquisition."

Unlike the giants, who have moved pro-

duction abroad over the past 10 years seeking market access and lower costs, typical Swiss companies see alliances as their best chance of getting inside the European Community's gate. Finding a new way in became critical as of last Dec. 6, when the Swiss all but excluded themselves from the greater European market by voting against membership in the European Economic Area.

"The Dec. 6 vote hurt the Swiss economy," said Alexander Hofer, M&A consultant for ICME International. "The multinationals are not affected, but the smaller companies who export goods are. Now, these companies are trying to adapt to the situation."

(If the rejection of the EEA was an ill wind for exporters, it certainly blew some good the way of Swiss banks. With Switzerland's reputation as the home of banking secrecy clear again, capital is returning and the financial sector is looking forward to an excellent year.)

Alliances are also viewed as a way to achieve critical mass.

"Most Swiss companies, especially in the machine-tool industry, are niche players —

companies whose names don't ring a bell but which have excellent products," said Mr. de Boer. "If Swiss machine-tool companies are going to compete with the Japanese, they have to get to a critical size where they can distribute worldwide. This need is going to push them into alliances."

"There is definitely a shift to the rest of the world, especially a clear expansion to the Far East due to the Swiss export boom there and to the cheap labor source," said Hans Kaufmann, head of Swiss research at Bank Julius Bär.

Among the most interested are Swiss suppliers of machine tools and electronics, "because the only companies making money in that area today are Japanese," and construction companies, "because the only boom at the moment is in the Far East," Mr. de Boer noted.

For all these reasons, loose alliances are growing as an attractive adaptation to the new economic conditions. And what begins as alliances will inevitably turn into mergers and acquisitions in a few years.

"In the long run, competitors cannot be partners. The choice is to sell or buy, and

many of these Swiss companies will sell out because they have neither the will nor the financial muscle to acquire," said Mr. de Boer.

Natural aging will also play a part. "Family-owned companies established after World War II are now coming on the market as their founders get older and want to sell up," said Robert Penzone, Geneva partner, Ernst & Young.

THE banking sector, on the rails after a crisis brought on by poor real estate investments, has suddenly recovered, thanks to the upheaval in the European Monetary System.

"At the beginning of the year, my estimates of 32 percent growth in yearly earnings was considered very brave," said Mr. Kaufmann. "I have now revised that figure to 45-50 percent for the major banks while portfolio banks will do even better. And 1994 looks like turning in an even better performance."

Trading in foreign exchange and securities has soared, he added. "The historical average for Swiss banks' position in securities is

under 10 percent. Now, securities represent around 16 to 18 percent of the total balance sheet. This has never been seen in the history of Swiss banking."

Typical of Europe's "jobless recovery," Swiss banks are cutting their labor force for the first time since the 1950s. An estimated 6,000 of the sector's 140,000 jobs are being trimmed this year despite the good returns.

Consolidation could absorb 100 or so of Switzerland's 570 banks in a few years. The great majority of the activity is internal, with the large banks absorbing the small ones and regional banks merging to form larger units. Certain activities have attracted the eye of foreign financial players. "We get inquiries every month about acquiring banks specialized in portfolio management," said Mr. Penzone, "but few are willing to sell."

Swiss banking will probably stay a Swiss affair by the simple logic that a Swiss bank bought by a foreign bank is no longer Swiss. "An American bank doesn't come to Switzerland to go to a Japanese bank," said Mr. Kaufmann.

SARAH VEAL is a journalist based in Geneva.

Nordics See The Red Ink Turn Black

By Laura Colby

PARIS — Banks in Scandinavia are recovering well from the worst crisis in their history, and analysts are predicting a return to profit for some as early as this year.

As recently as February, some of the largest banks in the Scandinavian countries, such as Sweden's SE Banken, were hemorrhaging red ink, and seeking state handouts in order to survive. But only six months later, SE Banken told the Swedish government it no longer needed state aid, and its shares surged more than tenfold on the Stockholm stock exchange.

Although not all banks are staging such dramatic turnarounds, Scandinavian banks are managing to pull out of their crisis through a combination of government guarantees and outright bailouts, plus improving economic conditions, helped in large part by a sharp depreciation of the local currencies against those of their European neighbors.

The 1990s banking shakeout, which has left some banks in state hands and others out of business, has caused survivors to undertake restructurings that observers believe will ultimately lead to a stronger and more competitive industry.

"In a lot of respects, we have got the worst behind us," said Hakan Persson, a financial analyst at Svenska Handelsbanken in Stockholm. He points to increasing industrial production and exports.

"Last year, 75 to 90 percent of the credit losses at Swedish banks were related to property loans," Mr. Persson said. Although the property market is not improving markedly, "That percentage is starting to come down," he said.

"The economies themselves are still in trouble, but at least the prospects are looking brighter," said Keith Baird, an analyst at Kleinwort Benson in London. He sees a return to growth next year in Norway and the following year in Sweden and Finland.

INVESTOR confidence in the banks is starting to come back, Mr. Baird added. "We are now past the point of failure. All the banks that were going to fail have done so. The ones that haven't are going to survive, and investors are now looking to the next level of profitability."

In the 1980s, many of the Scandinavian economies unwittingly stoked up a huge bubble economy through speculative lending, especially in real estate. Debt was encouraged by allowing consumers and companies to deduct interest payments from their taxes. High inflation created negative real interest rates, meaning it was cheaper to borrow to buy something now than to save money and buy it with cash later, and meaning that banks' profits evaporated.

At the same time, banking deregulation allowed banks to lend on looser criteria.

In Norway, where the banking crisis hit first, recovery is also coming first. The banking troubles were handled by, in effect, the nationalization of the banking industry. Den norske bank is now 56.6 percent owned by the state, for instance. But through more prudent banking and lower interest rates, it managed to halve its losses in 1992 and returned to a profit in the first half of this year.

The state's takeover of the Norwegian banking industry is about to be reversed, with the relisting of the shares as early as next year. Analysts caution, however, that much needs to be decided about how the shares of the banks will be reoffered to the public.

"It's a very technical and complex procedure," said Mr. Persson, "and what the effect will be on the previous shareholders is still very vague."

IN Sweden, where the government provided the equivalent of billions of dollars of guarantees for the major banks in order to stave off bankruptcy earlier this year, profits are already returning, as early as this year for such banks as SE Banken and Handelsbanken. Nordbanken, which was taken over by the state, also went from loss to profit in the first half of this year.

"The external conditions changed much quicker than we had expected," Bjorn Svedberg, the chief executive of SE Banken, told shareholders in announcing the company's turnaround this summer.

In Finland, where the state stepped in to provide guarantees for struggling banks but did not take control of them, the loss cycle is still continuing, however. "We expect to see profits there only in 1995," said Mr. Persson.

In Denmark, the only Scandinavian country that is a member of the EC, the situation has been different. The industry has essentially been in crisis since 1984, Mr. Persson said, but "the losses have also been spread over 10 years." He added: "Now, there is an improvement in business and I am recommending Danish banks."

LAURA COLBY is on the staff of the International Herald Tribune.

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Global Banking and Finance / A Special Report

Gremlins Lurk in Shadows of U.K. Big 4 Recovery

By Aline Sullivan

LONDON — British banks, among the worst hit victims of economic recession last year, are recovering fast. But some analysts worry that the short-term profit resurgence masks deeper structural problems within the U.K. banking industry.

Banking shares are outperforming the FTSE-100 index of British shares for the first time in two decades. Shares in the four major retail banks, Barclays, National Westminster, Lloyds and Midland (now owned by HSBC Holdings of Hong Kong), have soared since the beginning of the year, mostly thanks to solid first-half earnings and reduced bad debt provisions.

Richard Coleman, banking analyst at stockbrokers James Capel in London, gave the four leading banks credit for having reduced their costs during the recession. The recent share price gains have been justified, he said. But he cautioned that competition from smaller, nimbler entrants to the retail banking market could hit at the heart of the Big Four's profitability.

"The banks have cut costs, but they have cut the quality of the service they are providing as well," said Mr. Coleman. "The ones that will succeed in the future are those which can offer a quality service at low cost. It is difficult to see which of the big banks will be able to do that."

The way to square this circle, Mr. Coleman said, is through information technology. Bank of Scotland, which is a fraction of the size of Lloyds, the smallest of the Big Four, offers its retail banking clients a quick, efficient service at low cost through well-targeted computerization, he said.

Another potential competitive threat comes from the building societies (savings and loan associations), which are pushing for a bigger share of the retail banking market.

Paradoxically, many of these building societies were less affected than the banks by the sharp downturn in real estate values that accompanied Britain's recession. They prudently insured themselves against mortgage defaulters, whereas the banks carried the risk of bad debts on loans to big developers and small borrowers on their own books.

The banks remain burdened by these bad debt provisions. Together, the four leading

banks reserved more than £2 billion (\$3 billion) in the first half of 1993 against bad or doubtful debts, much of it caused by loans to big real estate companies.

But things are at last looking up. "The peak provisions have passed," said Nick Collier, a British banking analyst at Morgan Stanley International in London. "We are finally seeing some action in the commercial property market and the residential market is also picking up although there won't be any huge increases."

For the time being, the banks are being helped by robust profits from their investment banking operations. This is particularly true of Barclays, whose Barclays de Zoete Wedd investment banking subsidiary was largely responsible for transforming a £242 million pretax loss last year into a £335 million profit in the first half of this year, the best improvement of the Big Four.

The problems facing Barclays' rival Lloyds Bank are different. Ever since it failed to win control of Midland in 1991, Lloyds has needed an acquisition, analysts say. They claim the bank shed too much business in the late 1980s and now risks being squeezed out of some markets by its bigger rivals.

A major beneficiary of this process, ironically, would be Midland, which acquired valuable access to fast-growing Far Eastern markets when it was taken over by HSBC Holdings. Midland is a favorite of analysts for this reason.

All the leading U.K. banks are trying to boost profits through the sale of savings and insurance products and through niche markets, like private banking and offshore fund management. But analysts caution that these efforts may not be enough to offset the damage competitors are expected to inflict as the economy improves.

"There is no doubt that profitability is recovering pretty fast," said Ian McEwan, a banking analyst at Merrill Lynch in London. "We should see returns on equity of over 20 percent in the next few years. But the question is whether that is sustainable. Returns like that will make it very tempting for outsiders to come in and compete."

Norrie Morrison, a banking analyst at London stockbrokers Kleinwort Benson Securities, agreed that Britain's big banks have addressed many of their problems by cutting costs and writing off bad and doubtful debts. But economic recovery has been sporadic and

demand for credit remains depressed. Competition, both domestic and foreign, could restrict profit margins in the next few years, he said.

"The cloud on the horizon is that in about two or three years there will be too much capital chasing too little business," said Mr. Morrison. "It isn't clear where the long-term growth is going to come from."

The key question will be whether U.K. banks manage to put the harsh lessons of Britain's deepest recession since World War II to good use. Many analysts doubt the banks' ability to learn from their mistakes.

"I don't believe that banks will make fewer mistakes in an environment of low growth and low inflation," said Mr. Coleman of James Capel. "There will be a substantial oversupply of capacity and the environment will be very hostile. So far, the banks have only tinkered around with cost cuts in response to recession. None of the banks has really come to terms yet with the changes that will be necessary to survive."

ALINE SULLIVAN is a financial journalist based in London.



Annet Nostitz of Landesbank

East German Bankers Are Quick Study

By Miriam Widman

BERLIN — Annette Richter and Annet Nostitz agree. Learning about stocks and options was the toughest part, but switching from a communist to a capitalist banking system, while not easy, isn't as rough as you might think.

The two young women, while still an exception, are among the East Germans who are starting to make it in the Western banking world. Brought up with Marxism and Leninism in a world where there was essentially one interest rate and no stock market, these two women have begun the proverbial climb up the corporate ladder and made it to branch manager at their respective banks.

"It was very difficult, especially the securities area and credit," said Mrs. Nostitz, branch director at the Berliner Sparkasse's Hellersdorf branch in East Berlin. "In the GDR (East Germany), we had some forms of credit, like credit when you got married or layaway credit. But there was never anything to buy."

Mrs. Richter, the 33-year director of the Commerzbank's branch in Eisenhüttenstadt, did not have so much trouble with credit as she did with securities. "I just find stocks very difficult to understand and options are worse," she admitted. But there are experts at their respective banks they can call on for help. Both directors also said that while East Germans are becoming increasingly interested in investing in stocks and securities, demand remains limited.

To date, the heaviest demand from East German banking customers is for credit to either set up a business, purchase a car, house or consumer durable goods, like washing machines, or for safe investments, like fixed-rate securities. And, the two bankers know, with total unemployment running in some areas at 50 percent, that East German customers count their pennings and are quick to switch banks when bank charges are too high.

Eisenhüttenstadt is probably a worst-case example. The town, which literally translates to "Iron Works City," had essentially one employer in GDR days — the steel works. In the 1950s, the East German Communist government decided to erect a steel plant in this rural town on the border with Poland. It employed 12,000 of the 50,000 people who eventually moved there. The antiquated factory has been up for privatization for the last three years, and since then, only one of four workers at the plant still has a job.

"My people count every pfennig," said Mrs. Richter, from her newly renovated offices in the Old Town, one of the few pleasant parts of the city. "A half a percent makes a big difference, and they'll change the bank."

While the bankers agree that being East German gives them an advantage over West Germans working in East German offices, bank management has not always seen it that way. The two women are more the exception than the rule. Mrs. Nostitz worked as a branch manager for the Sparkasse in GDR days. She and others were put back a level to assistant manager when the Landesbank Berlin, which owns the Berliner Sparkasse, took over. West Berliners who were No. 2 at their branches were then sent to the East to take over as directors. She managed to work her way back to branch director, but only 10 out of 80 former managers did.

Yet there is an understanding among the newcomers that things take time. Jens Siefert, a regional manager at the bank, said assistant directors essentially have the same responsibilities as directors.

IN contrast to the West, women are the rising stars at East German banks. This is because women held some 90 percent of the jobs in East German banking. The old GDR system also made it easier for working women, as child daycare was widely available. Both Mrs. Richter and Mrs. Nostitz are married with two children, and now, under the Western system, they have to juggle their schedules considerably more.

Yet, as probably could be expected, the fastest rising East German is a man. Edgar Most, a former bank director in the East German State Bank, has likely achieved the highest position in West German banking for an East German. As a director of the Deutsche Bank AG's Berlin office, his position is just one level below the board of directors and he is the only East German among six directors at the Berlin office of the bank. Many East Germans who had worked with him are now at the Deutsche Bank and a few have reached management positions.

Mr. Most admits that his position at the East German government bank and detailed knowledge of the 29 East German conglomerates put him in a good position for a key job. But he notes that at the management level, there is not that much difference between East and West.

"In the old system, society was the center point, and now it's the bank," he said. A former Communist Party member, Mr. Most notes that party membership was a requirement for his previous job. But he said: "The old boy network is actually much worse in the West than it was in the East."

"In the end, the banking business is about personal contacts, and in that respect, there's no difference between East and West. This world isn't all that foreign."

MIRIAM WIDMAN is a journalist based in Berlin.

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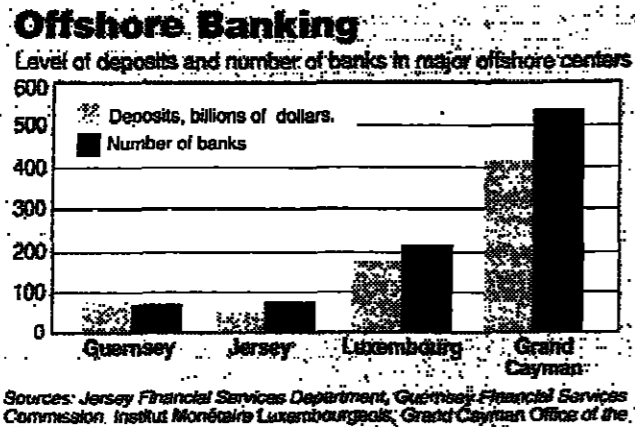
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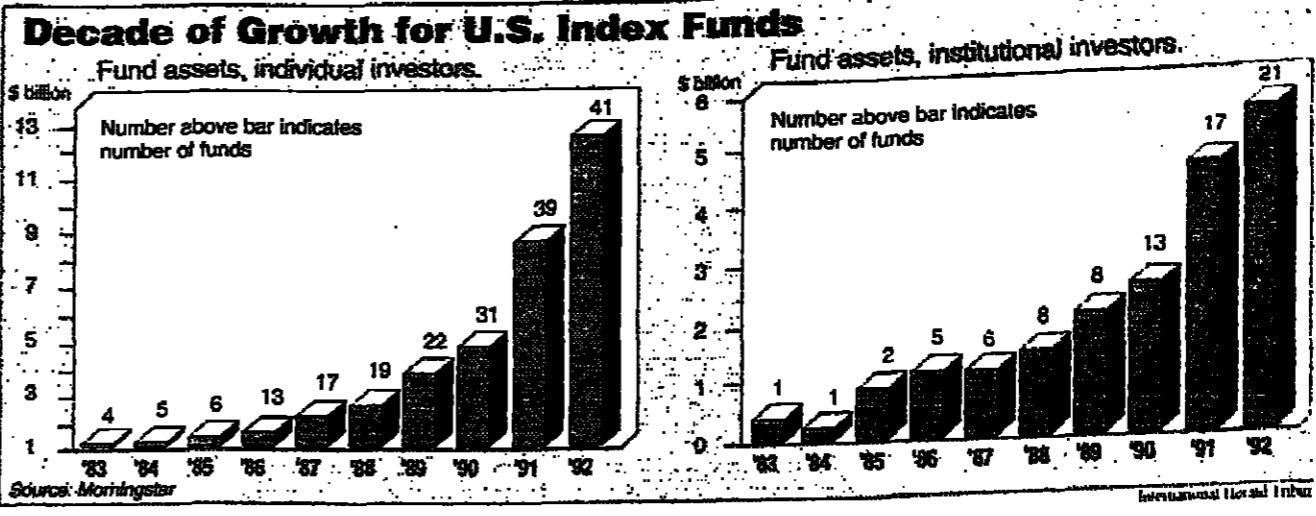
By Philip Crawford

PARIS — There often comes a point when a product once perceived as innovative and accessible only to an elite clientele starts to feel mainstream. The telephone and the automobile are archetypal examples.

ter, bringing total deposits in the island's 73 banks to \$32.6 billion as of June 30. Deposits in Luxembourg grew 17 percent to 6.1 trillion Luxembourg francs (\$1.17 billion) in 1992, while the number of banks rose from 187 to 213.



southern Atlantic Ocean, where deposits in Grand Cayman, the Bahamas and Bermuda continue to rise. The 533 banks in Grand Cayman (about seven banks per square mile) now have total assets of about \$41 billion, a rise of 65 percent since 1987.



The Jury Is Still Out on Index Funds

By Martin Baker

PARIS — Once upon a time indexation was the darling of the investment world. It seemed during the latter part of the 1980s and into the early 1990s that a new index was being launched almost every day.

piled from constituent shares, be they the 30 shares in London's FT-30 or the 500 in the U.S. S&P 500, an index is ultimately a number. Controversy and arcane economic debate surround the weight that should be given to constituent shares, but the end product is always simple numerical shorthand for market performance.

stock average. Amex created its own index of 210 stocks "with a greater than 99 percent correlation with the Nikkei stock average," according to a recent Amex brochure. The index was created solely to trade in options against it.

But all that cozy certainty has been threatened by the events of last year. "Almost every year, in the major markets at least, most fund managers underperform the index," said Bruce Johnson, director of Baring Securities emerging markets team. "Last year, however, was peculiar. The reverse was true, and aggressive stock pickers were able to beat the market indexes. For the moment, though, I don't see an imminent change in investment patterns. If stock pickers beat the indexes three years in a row, or even three years out of five, they'd see a few investment philosophies being revised."

one factor that industry observers point to as critical in the growth of indexation is the parallel boom experienced by the derivatives markets. Using financial futures and options is, thanks to the liquidity of these markets, a very low-cost and efficient way of tracking an index. But some index industry commentators argue that the indexes are often created simply to stimulate the business of the exchanges.

That question would be answered in the affirmative by advocates of efficient market theories. They say that the market has all the information and is collectively smarter than any individual over time.

FRENCH COMPANY HANDBOOK 1993

The 1993 completely revised and updated edition contains 132 pages of information in English on a selection of 90 of the most important French companies, as well as basic facts on other major firms. Includes information on the French economy and major sectors of activity, an introduction to the Paris Bourse, and a bilingual dictionary of French financial terms.

Table listing various French companies and their subsidiaries, including AGF, Alcatel, and others.

Form for ordering the French Company Handbook, including fields for name, address, and company information.

Fallout from the conflict has been uniform. Most offshore centers now have dual pieces of legislation, one that makes it a criminal offense for a banking employee to divulge client account information to a third party without irrefutable cause, and another which makes the same employee equally liable for not telling superiors when he smells something funny. The bottom line is that bankers must use their own judgment, and it had better be right.

U.S. Banks Look Overseas to Shore Up Sluggish Business

By Judith Rehak

NEW YORK — After years of cutbacks and retrenchment in their international operations, forced by mindless lending in Latin America and even worse disasters in real estate lending at home, the big U.S. banks are sporting vastly improved balance sheets. And, once again, they are looking to overseas markets as a prime source of business.

Forward. There will be more corporate finance profits in the second quarter of this year, the bulk of it from foreign exchange and securities trading. The expertise of U.S. banks in derivatives, notably foreign exchange, yielded even higher profits, with banks like J.P. Morgan and Chase moving quickly to keep up with competitors by building operations in that arena.

of that, \$109 million came from foreign exchange dealings. Beyond the trading floors, the big banks vary their global strategies. The orientation at J.P. Morgan and Chase Manhattan is more to large, complex, cross-border transactions, said David Berry, director of research at Keefe Bruyette.

swaps for the largest publishing company in Latin America. Also attracting intense attention in Mexico, where a raft of name banks is poised to set up bona fide subsidiaries — the North American Free Trade Agreement is passed by Congress. But again, with the exception of Citicorp, there is little interest in retail business. Foreign exchange and securities trading, cross-border acquisitions and the lucrative privatization market are being the rush to Mexico, especially for banks like Chase Manhattan, J.P. Morgan and Bankers Trust.

Advertisement for GRAND HOTEL STOCKHOLM, featuring a picture of the hotel and text describing its location and services.

Indeed, while many U.S. banks were bailing out of their overseas operations during the 1980s, Citicorp hung on to its foreign offices, even in its darkest days, when many viewed the bank as good as dead. Today, its highly profitable global network covers 94 countries from France to Pakistan, and most recently, Vietnam. Although Citicorp is a player in virtually all areas of global banking, it is unique in its push to be a global consumer bank.

Large advertisement for JYSKE BANK's 'Dollar Investment Package'. It features a coupon form, a list of international offices (Copenhagen, London, Zurich, Hamburg, Gibraltair, Feungrörola, Lisbon), and details about a 5-year investment plan.

Global Banking and Finance / A Special Report

Hong Kong Licks Chops Over China's Potential

By Kevin Murphy

HONG KONG — No one doubts China must raise an enormous amount of capital to keep its high-growth, reform-or-regress economy on track. How much of the resulting business, and underwriting fees, Hong Kong financiers can keep to themselves depends on Asian investment flows and rival money centers' aggressiveness.

China's abandonment of central planning in favor of a move toward a market economy has awakened a market appetite for finance capital as provinces and municipalities around the country assess their inadequate infrastructure and undercapitalized businesses of every size scramble to survive.

Take China's telecommunications expansion program, for example, just one of several ambitious projects Beijing has earmarked as a priority area. Plans to quadruple the number of telephones in service to around 80 million by the year 2000 could cost up to \$100 billion, according to Salomon Brothers research, which believes half the amount must be in foreign currency.

Whether Beijing lifts restrictions on direct foreign equity investment in such strategic areas or not, enormous opportunities exist in channeling funds into this area, a scenario likely to be repeated sector by sector across the country.

"One would have to think there is a hell of a banking play developing here," said Enzo von Pfeil, an economist with S.G. Warburg Securities, of the prospects for profit in financing China's development. "We're dealing with high savings rates in the region and strong growth in China. What more does a banker want?"

Hong Kong, home to a stock market thoroughly open to international investment and long a conduit for overseas Chinese funds destined for the motherland, has a headstart in staking a claim as China's leading financial center.

Analysts believe 70 percent of China's foreign investment to date has come from Hong Kong and more is likely to flow as the estimated 55 million Chinese scattered through an increasingly prosperous Asia utilize cultural

and family links to chase opportunities on the mainland.

"We will see increased Asian self-reliance," said Mr. von Pfeil, echoing a belief that Asia's investment exporting economies will find their best returns within the region.

Hong Kong will also retain an edge over rival money centers through its ability to provide expertise as well as funds to China.

"People tend to underestimate China's ability to finance much of its own needs as most developing countries do with accumulated savings," said Andrew Freris, chief regional economist with Salomon Brothers Hong Kong Ltd. "Where Hong Kong can help is through helping China in its efforts to reorganize its entire banking system." He was speaking of a high priority campaign recently initiated by Beijing to regain control over a runaway economy.

But a number of challenges to Hong Kong's strong position exist.

WHILE Beijing knows it needs Hong Kong as an entrepôt more than ever, it does not trust the soon-to-be former British colony completely either. Shanghai nurses its own aspirations to become a financial market and is growing rapidly. And rival international banking and financial centers are unlikely to allow Hong Kong, if it can indeed muster the financial muscle, an unimpeded run at the spoils.

"Once transport and communications improve, Shanghai will make sense as a North Asian regional business center," said Robert McBain, executive director of NatWest Capital Markets in Hong Kong.

"The new city developing in Pudong (across the river from old Shanghai) is for real," said Mr. McBain. "Many bank operations, including the 50 or so foreign banks with a presence in Shanghai already, will be there in five years."

The listing on the Hong Kong exchange of the first of nine blue chip Chinese industrial companies demonstrates the important role Beijing ascribes to Hong Kong and the practical difficulties that can crop up.

Companies like Shanghai Petrochemical and Tsingtao Brewery needed more foreign currency than listing on fledgling domestic

exchanges in Shanghai or Shenzhen could provide. At the same time, a decision to turn to Hong Kong was meant as a statement of confidence in its role as an international financial center.

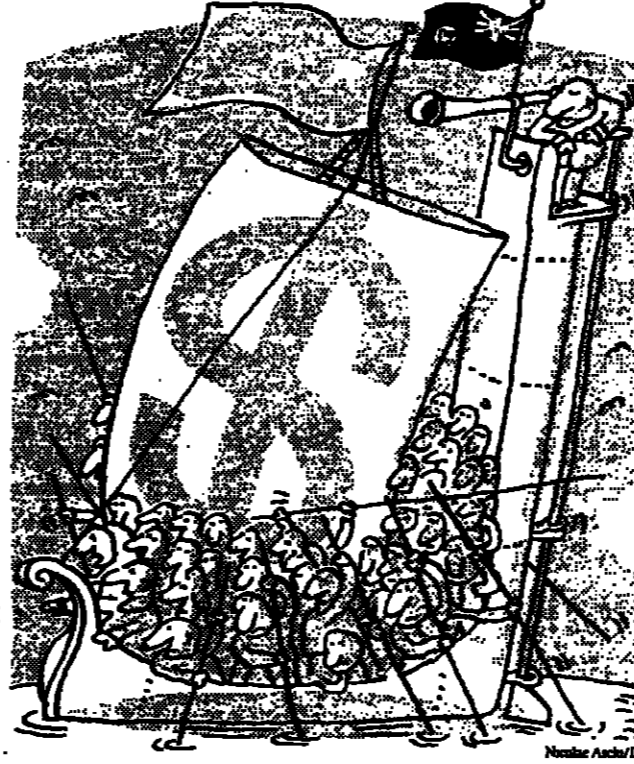
"The plan to list nine companies was announced during the early stages of the political row with the British government over the territory's political future," said a recent Warburg report. "China has stuck with the plan despite the row."

However, the Shanghai Petrochemical issue highlighted concerns that the Hong Kong stock market might not be big enough to handle the job.

Where many China-related initial public offerings attracted massive oversubscriptions, Shanghai Petrochemical was only oversubscribed by 1.7 times, a result of global coordinator Merrill Lynch and Hong Kong lead manager Peregrine Capital Ltd. taking up 222.8 million shares each of the 840 million to be listed in Hong Kong.

Senior stock market regulators in Beijing expressed disappointment with the Hong Kong stock market at the time, suggesting it had "too short-term" a view to support large industrial stocks.

But if Hong Kong is judged too small or too shortsighted to support big mainland issues, other financial centers and foreign-based securities houses appear willing to take on the job. "Chinese capital raisers are reaching out to more markets all the time," said Mr. McBain of a trend that has seen "China plays" listed directly in New York, London, Sydney and in a novel listing, Dublin, markets where they generally can list at higher price-to-earnings ratios



than can be achieved at home or in Hong Kong.

In a new-issue harbinger, Hong Kong-based property group New World Development is launching a \$200 million China investment holding company to be listed in Dublin with a portfolio of its mainland projects.

A rising wave of U.S. money earmarked for mutual funds will find its way into China plays in coming years if the American groups, which have greatly expanded their China ambitions, have a say in the matter. The United States and Europe remain the favored destination of new debt offerings and will for some time, according to Patrick Thomas, managing director of Oaktree Financial Services in Hong Kong.

"There is absolutely no doubt Asia has moved from an area of speculative investment to in-

creased net worth to preservation of capital," said Mr. Thomas.

Hong Kong and Asia in general have long favored equities for investment, only recently developing an appetite for fixed-interest debt. But trail-blazing work by the Asian Development Bank to create "dragon bonds," bonds in non-local currencies sold and listed in Asian markets outside of Japan, is being followed by other issuers.

A recent dragon bond issuer, Rabobank Nederland, said it planned to invest a share of proceeds from a \$200 million offering in a joint venture bank in Shanghai in a development that will be watched closely by other large international groups eyeing the China market.

KEVIN MURPHY reports from Hong Kong for the International Herald Tribune.

Going Beyond the Pork Bellies Futures and Options Market Expands Net

By Martin Baker

PARIS — Go to Chicago, and they'll sell you the sky. And if that concept appears improbably airy, wait for the good part: What you'd be buying wouldn't be today's sky, but the sky at some future date. While this may sound like a scam to rank with selling the Brooklyn Bridge to tourists, it is, in fact, no more than the latest evidence of the vigor and innovative verve of traded futures and options, one of the world's most important financial markets.

Since March, the Chicago Board of Trade (CBOT), one of the largest futures and options markets, has been offering contracts based on the sulfur dioxide emission allowance program developed by the U.S. Environmental Protection Agency under the 1990 Clean Air Act. It is, proclaims the CBOT, "the first step toward creating a futures market in clean air, one of the world's most precious commodities."

The somewhat breathtaking cheesiness of the newer contracts on the world's futures and options (collectively known as derivatives) markets should be set against the history of the derivatives industry. Nineteenth-century merchants needed to cover themselves against fluctuations in the supply of key commodities. Out of this need the derivatives market was born, a market in instruments providing rights and obligations to buy and sell at fixed future prices. Chicago, the home of the CBOT and the Chicago Mercantile Exchange, has seen trading in futures and options contracts based on such commodities as coffee and pork bellies for more than 100 years.

But the market has evolved greatly since then, as have those who trade in it, says Micky St. Aldwyn, London-based senior manager for international business development at international commodities trader and fund management firm, E.D. & F. Man.

"Originally, we were a physical commodities trader, assuming risks that others were not prepared to take," he said. "We used derivatives to lay off a portion of that risk. Then we used the markets to trade our own account, and ultimately felt able to advise others on derivatives investing."

The firm, which has 36 offices around the world, runs a well-known series of commodities funds, the Mint funds. "Assets under management have grown by 40 percent per annum for the past decade," said Mr. St. Aldwyn.

That type of growth is quite usual in an industry that has expanded massively in recent years. The

CBOT's track record is typical. The exchange saw almost 100 million contracts traded over the year to the beginning of August, an increase of 11.2 percent on the preceding year. The CBOT is the world's biggest exchange on this measure, which is "the only true measure of a futures and options exchange," according to CBOT Chairman Patrick H. Arbor.

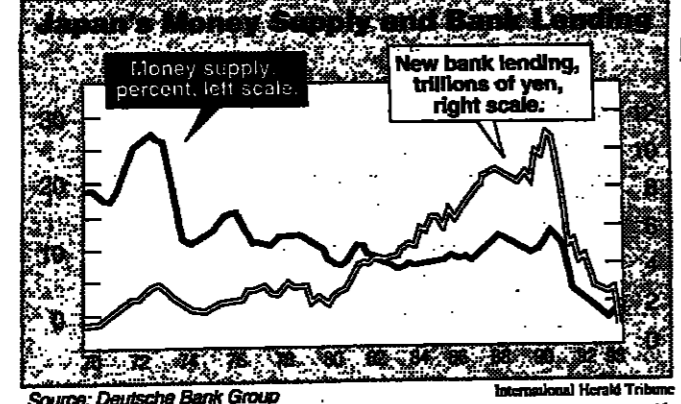
But if you take the underlying value of the contracts traded, the Chicago Mercantile Exchange (CME) far outstrips the CBOT. According to CME statistics, it traded contracts with more than \$80 billion in value for 1992, compared to less than \$30 billion in value for the CBOT that year. Whatever the criterion for growth, the two Chicago giants are both thriving.

The growth is set to continue, according to Dick Mikahumias, vice president of marketing at the American Stock Exchange (Amex) in New York: "The derivatives industry will continue to boom, because of the demand for products from both individual and institutional investors." Amex is one of the most innovative exchanges, and has devised and launched a series of new products over the past years. Mr. Mikahumias, however, reports a significant increase in volume on one of the more "plain vanilla"-type products. Trade in equity option contracts is up more than 20 percent on last year, he said.

ASIDE from its liquidity and subsequent low margin costs, the derivatives market has another important attraction for investors: It is international. "I can trade pretty much when, where and with whom I want," said Franck Vivier, joint managing director of the French asset management arm of the giant Japanese bank, Daiwa. "The global derivatives market is not constrained by time or place."

Central to the globalization of the market has been the much-delayed and enormously costly evolution of GLOBEX, an electronic trading system for futures and options that offers products from three exchanges — the CME, CBOT and the MATIF in Paris. Developed by Reuters in conjunction with the U.S. exchanges, GLOBEX was originally scheduled to come on-line more than two years before its inception in June 1992.

The system has terminals in Chicago, Paris, London, New York, Tokyo, Hong Kong and Geneva, and operates 12 hours per day, between 6 A.M. and 6 P.M. Chicago time. GLOBEX traded its two millionth contract this summer, a fact which underlined "the system's utility to users worldwide," according to Jack Sander, chairman of both the CME and GLOBEX.



In Japan, Fears Ebb

Continued from page 11

ber, midpoint of the fiscal year, analysts expect the total to exceed 14 trillion yen (\$134 billion). The figure is up more than 10 percent from six months earlier, reflecting continued high bankruptcies in the real-estate sector and growing insolvencies among small and medium-sized firms that have been pummeled by the yen's surge of nearly 20 percent against the dollar so far this year.

But few analysts take these public figures at face value, a major reason being that many restructured loans are not included. Rather than have a client declare bankruptcy and face full disclosure of losses, banks, often at government behest, are reducing interest rates to near nothing or lengthening repayment schedules. While restructurings of this sort deprive banks of interest on their loans, they avoid the public relations cost of reporting nonperforming assets.

"The numbers they're giving are still way too low," said Betsy Daniels, an analyst at Morgan Stanley & Co. She estimates that the true extent of the bad debt is likely to peak a year from now at some \$8 trillion yen (\$364 billion). Of this amount, about half eventually will have to be written off, she said.

The Bank of Japan believes private-sector estimates are too high, putting the actual amount well below 30 trillion yen. The amount of bad debts will also peak this September, not a year from now, Japanese bankers say.

Whatever the true extent, which given lax disclosure rules, will remain unclear, Japan's biggest banks are rich enough to absorb the losses. But unlike American banks, which confronted a similar situation during the savings-and-loan crisis, the Japanese are taking a gradualist approach to writing off their nonperforming assets.

Although speedy action would engender losses, it would be the quickest way to restore balance sheets to health. In Japan, however, it remains taboo for a major bank to report a loss; none has done so since the end of World War II.

"Our goal is to write off nonper-

forming assets as quickly as possible within three years," a director of Dai-ichi Kangyo Bank said, declining to be identified. "But we can't go so fast as to report a loss, because we need profits in order to pay a dividend."

The result, analysts say, is that it will likely take five years for banks to shore up their balance sheets.

Growth in lending, which fell to just 0.8 percent in August from the year before, has been declining since 1990. It has been contracting in real terms even as money supply growth begins to accelerate, said Kenneth S. Courtis, strategist and chief economist at Deutsche Bank Capital Markets (Asia). "Small companies that lack access to the stock market are being squeezed to the wall," he said.

The cautious lending stance reflects not only the burden of bad loans, but also the fragility of many existing loans. Japanese bankruptcies continued to climb in August, rising 1.3 percent from July to 1,189 cases with total debts of 418.89 billion yen. For the first eight months of the year, bankruptcy debt totaled 4.09 trillion yen, down slightly from 4.6 trillion yen for the same period a year earlier.

THE DKB director said low lending growth was primarily the result of weak demand and poorer business prospects given the recession. But he conceded that loan officers had become more cautious.

For now, tighter reins on credit are mitigated by relatively weak demand for loans.

A slowdown in bank lending, however, could delay recovery once it comes, and contribute to a polarization of the economy into strong, large companies capable of independent fund raising, and weaker, smaller companies unable to get the funds they need. Ironically, it is these companies that are in the greatest need of restructuring due to the yen's appreciation and the gradual, but inevitable trend toward deregulation.

STEVEN BRULL is the International Herald Tribune's correspondent in Tokyo.

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Global Banking and Finance/A Special Report

Success of Latin Bond Issues Inspires Rest of Third World

By Conrad de Aenlle

PARIS—Just a decade ago, Latin American indebtedness nearly ruined several economies and a few big banks. Since then, the debt has been successfully repackaged as "Brady bonds," the economies have been successfully repackaged as enclaves of capitalism, and it is again respectable for the Third World to go into hock.

Developing countries throughout Latin America are issuing bonds on international markets to raise funds for badly needed modernization programs. Their enthusiastic reception has encouraged governments in Asia, Africa and Eastern Europe to do the same. And with the continued expansion of private enterprise across the poorer countries, corporate issuers are increasingly tapping the markets, as well.

The most recent data compiled by the Organization for Economic Cooperation and Development shows a near-doubling in the issuance of bonds from developing countries in the first four months this year, to \$8.2 billion from \$4.3 billion in that period of 1992. The full-year total for 1992 of \$14 billion was in turn substantially more than the \$8.3 billion figure for 1991 and \$4.5 billion for 1990.

Latin America continues to represent more than half of the market in new issues, although Eastern European states are becoming a bigger presence, having issued bonds worth \$1.8 billion this year through April, compared with \$1.3 billion for all of last year.

Until the late 1980s, such new offerings were rare. What opened the market was a plan devised in 1989 by Nicholas Brady, who was then the U.S. Treasury secretary, to securitize the Third World bank debt of the early 1980s. It worked, and these Brady bonds continue to make up a big chunk of emerging market debt.

value, their prices have risen considerably as the countries that adopted the plan, mostly in Latin America, continue to convert their once-moribund planned economies into capitalist free-market democracies. They are also an inspiration to other governments, notably in Eastern Europe, which are expected to give the Brady plan a whirl in the near future.

Sovereign figures big in the market for new issues, too, but it is coming to be dominated by corporate borrowers, especially in the better-established economies of Latin America. Of \$4.6 billion raised this year in 27 Mexican issues, a J.P. Morgan report notes, those of banks and other companies account for three-fourths of the volume.

Selling the bonds has been no trouble at all, with funds that specialize in emerging-market debt eager to snap up just about anything offered to them. Assets in such funds total \$3.5 billion, according to the fund research firm Lipper Analytical Services. Even mainstream funds, facing shrinking yields from traditional investments as interest rates fall nearly everywhere, have committed large sums to emerging markets, although numbers are hard to come by.

BY most accounts, borrowers are putting the money to good use.

"A lot of it is going into infrastructure build-up, things that have been ignored in Latin America for the past decade," notes Elizabeth Morrissey, managing partner of Kleinman International Consultants, a specialist in emerging markets. Corporations are using the proceeds for telecommunications and computer systems, "which they have had no access to because they've had no funds."

Raising finance in the old days—three or four years ago—was a lot more difficult and less rewarding undertaking.

"Most companies in Latin America either borrowed domestically at prohibitively high rates or else they used retained

earnings, which means they couldn't grow very fast," said Ashwin Vasani, a portfolio manager at Oppenheimer Management. "You can find amazing stories in which companies are significantly underleveraged."

"Leverage ratios are beginning to look more like developed markets. Anybody's willing to take on debt is a function of what they expect the future to look like. The future was uncertain in Latin America, so they weren't very willing to take on debt."

The uncertainty has diminished, Ms. Morrissey thinks that buying Mexican

Brady bonds continue to make up a big chunk of emerging market debt.

debt "is not much riskier than buying European debt" and that "as these countries stick to their economic program and continue to grow domestically, we're going to see more of it." As for political risk, she said: "It's there, but it's in lots of other places. In Europe, how many people support government programs?"

But accidents happen. What if the North American Free Trade Agreement is rejected by the American Congress?

"First, the U.S. gets hurt more than Mexico," she answered. "Mexico is building trade with its southern neighbors and the Pacific Rim. Really, what are they going to lose? They haven't put all their eggs in one basket. Those economies are probably going to grow faster than the U.S. economy anyway."

For all the glowing reports, Chile and Colombia are the only major emerging economies with bonds deemed investment grade by Western credit-rating

agencies. Mexico is seen making the leap if NAFTA makes it through Congress.

"If NAFTA is approved, as we continue to expect, there is a high likelihood that Mexican sovereigns will narrow and a reasonable probability that Mexico's sovereign ratings will be raised to investment grade in the next one to two years," J.P. Morgan's analysts say.

That would be good news for corporate borrowers. It is common practice to rate government debt higher than that of businesses, even if the businesses seem sounder. Not fair, Ms. Morrissey says. Her argument is that "in a growing economy, corporations can take advantage of better circumstances before the government."

Mr. Vasani does not see it that way: "The history has been that when the sovereign in Latin America has run into balance-of-payments problems—when the sovereign has not had dollars available to pay external debt—it has prevented corporations from paying their debt obligations. I don't want to paint a gloomy picture, but if push came to shove, the government would always take care of its interests before corporates. But I don't believe there's a large possibility that will happen."

Indeed, he pointed out that since 1963 there have been only four defaults on Eurobonds issued by Latin American companies. "A default will directly affect your credit rating and shut you out of the Eurobond market for years to come. Anything that's been restructured, they rate one notch lower."

A default or other "catastrophe" now would slow the flow of money into these markets significantly, he said, but there is nothing like that looming. What could turn the tap a bit lower and push up rates is something more innocuous: a reversal of the trend to lower American government rates. "As U.S. yields rise, making Treasury more attractive for funds that are yield hungry, U.S. debt becomes more competitive," Mr. Vasani said. "Latin

countries are less likely to borrow because of the higher yields they have to pay."

For now, though, borrowing continues apace, and it has spread to a number of new markets. "Eurobonds are coming out of just about everywhere," said Ms. Morrissey. "We've seen just about every Brazilian bank in the last six months or so, Turkey, the Philippines, a number of Indian companies [issued issues] last year and are gearing up to do it again. In Eastern Europe there have been a couple of sovereign bond issues."

IT is hard to fault their timing, with demand high and rates lower than have ever been seen in most of those places. "At this point, if I were a developing nation corporation, I would try to tap the market now," said Ms. Morrissey. "Obviously, the appetite is there."

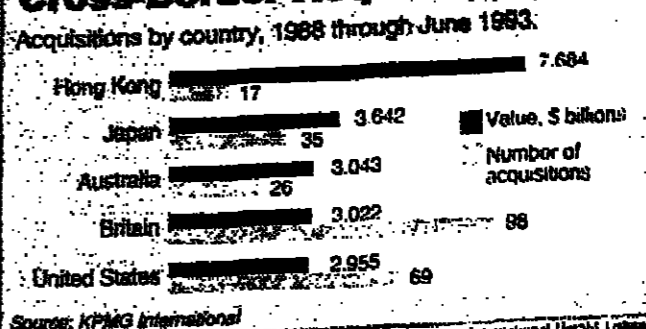
As countries develop more fiscal discipline, they are finding they need no longer issue paper denominated only in hard currency.

"Investing in emerging markets has gone through a series of phases and trends," Ms. Morrissey observed. "The next is local-currency bonds and money markets [instruments]. Notable issuers include governments or companies in Poland, Turkey, Egypt, Morocco and Peru. Bonds come either with very high fixed rates to provide a return after inflation, or else they are priced as a set percentage above the inflation rate during their lifetime."

She concedes that Third World governments had a miserable record on debt repayment not that long ago, but this time around, she says, they do not have much choice.

"They can't do a whole lot of backtracking; they can't totally go in and blow the budget; they'd be cut off from everywhere. As international confidence in these economies continues to build, we'll see happen everywhere else what happened in Mexico."

Cross-Border Acquisitions



Bank Mega-Mergers

Continued from page 11

80 branches will have been cut, with 450 remaining.

Mr. Tobin said that he, too, expected the U.S. banking industry to keep riding the merger wave. "Opportunities for revenue growth from normal banking business are somewhat limited," he said. "As a consequence, many banks will turn to acquisitions."

Elison Clary, a spokesman for NationsBank, said the merger that created that bank came off with few hitches. He added that NationsBank is currently in the process of acquiring MNC Financial Inc., which operates 250 banking centers in Maryland, Virginia, and

Privatization Means Freedom in France

Continued from page 11

from 14 percent to as low as 8 percent.

For the insurance sector, privatization is expected to aid in restructuring and international expansion efforts, by permitting the major insurers to make alliances through capital exchanges. As a result, the executives of the big groups say they will be able to position their companies for leading roles in a borderless European insurance market they envision after the turn of the century.

For UAP, privatization will present a chance to resolve a conflict with Compagnie Financière de Suez over Victoire-Colonia, a French-German insurance merger in which UAP has a one-third stake. UAP has tried to shake loose Colonia, the No. 2 German insurer, but could not afford the cash terms demanded by majority owner, Suez. With shares to contribute after privatization, the way could open for a deal that would allow Colonia and UAP to join forces.

AGF, meanwhile, hopes to put together an alliance with Germany's A.M.B. in which it recently increased its holding to 33 percent.

The three big companies, which together account for a quarter of the French insurance market, will market their shares to investors by

With bank regulations falling, price wars could erupt.

focusing on the potential for big earnings growth after a profits meltdown in 1992.

"The stars going to be '92 was a disaster year, but expect a strong recovery for the 1993-1995 period," said Andrew Goodwin, insurance analyst with UBS/Phillips & Drew in London. The "storm" is already being fought, he said, noting that the insurance sector overall has witnessed a wave of buying since the start of the year. "Investors are relatively well disposed to insurance stocks at this point," Mr. Goodwin said.

INDEED, the planned sell-offs followed a 1992 earnings debacle in which UAP's net earnings plummeted 71 percent to 1.08 billion francs, from 3.77 billion francs in 1991; AGF's profits dropped 44 percent to 1,495 billion francs, from 2.69 billion; and CAN's net fell 83 percent to 400 million francs, from 2.3 billion.

The profit declines were brought on by a sharp spike in recession-related claims, particularly auto thefts and small-business damages, a fiercely competitive environment that kept premiums down, and for some, a burst in the speculative real estate bubble that prompted heavy provisioning at banking units.

Now, these companies say that the worst is behind them, thanks mostly to falling interest rates, particularly short-term rates.

JACQUES NEHER is on the staff of the International Herald Tribune.

Companies Shopping Abroad

Continued from page 11

cess to far-flung markets. Some of these are quite exotic. Investors in wealthier countries who commit funds to so-called emerging markets while helping governments and businesses in the Third World to expand and flourish. And as these markets gain acceptance, still smaller African, Asian and Latin American bourses are opening to the rest of the world; these are known as "pre-emerging" markets.

Companies have benefited tremendously from the financing opportunities made available by the more efficient middlemen competing with banks. "This has been a real good thing for corporations," commented Hugh Johnson, chief economist at First Albany Corp. "What they've been able to do is clean up their act; they've been able to raise money in the markets and pay down short-term debt and spend a little money on technology to become far more cost-effective and efficient."

Companies borrowed heavily from banks during the 1980s to grow their businesses and then had to start paying the money back. As they float record amounts of bond issues to retire

the debt, banks become two-time losers on the lending side: Companies raise funds without their assistance, then they turn around and use the proceeds to pay off their old bank debt, and another link becomes frayed. This is especially true in the United States, where the use of debt is heaviest and the trend to nonbank financing to get rid of it furthest advanced.

For being losers, though, the banks are not doing so badly. The steep disparity between short- and long-term rates has allowed them to pay less than 3 percent for depositors' money and then lend it back to the federal government by buying Treasury bonds at 6 percent. It has worked well—so far.

Because companies "have been able to reduce debt at banks, the banking system loses more of its healthy customers," Mr. Johnson said. "On a short-term basis, banks look like they're getting healthier. It looks like profits are better and capital is being rebuilt; there has been a real success story. On a long-term basis, though, the system continues to become more fragile."

Analysts at the Organization for Economic Cooperation and Development are of the same opinion. "Banks have been caught in what could be called a scissors

movement: Both on their assets side and their liabilities side, they have been confronted with intense competition from nonbanks," they write in "Banks Under Stress."

Banks, of course, do not see it this way. Tom Swayne, who runs Chase Manhattan's European, Middle Eastern and African operations, believes the bigger commercial banks have become more entrepreneurial and perform many of the functions of investment banks. Instead of beating "em, they're joining 'em."

"My business is to get the client the most efficient form of capital available," he said. "We know the world is changing; we're not using the same products we used 20 years ago. . . . We're not looking at our business as simply making loans. . . . Banks that do only that won't be around much longer."

But the trend toward more efficient and diverse financing will, he thinks, "I don't see this capital markets thing as a light phenomenon that's going to reverse itself," he said. "The investor is looking at interest rates at all-time lows and demanding higher yields. That's why the bond and stock markets are cracking. They're also looking at overseas markets. . . . Because of the globalization and speed of process, they're being shown ac-

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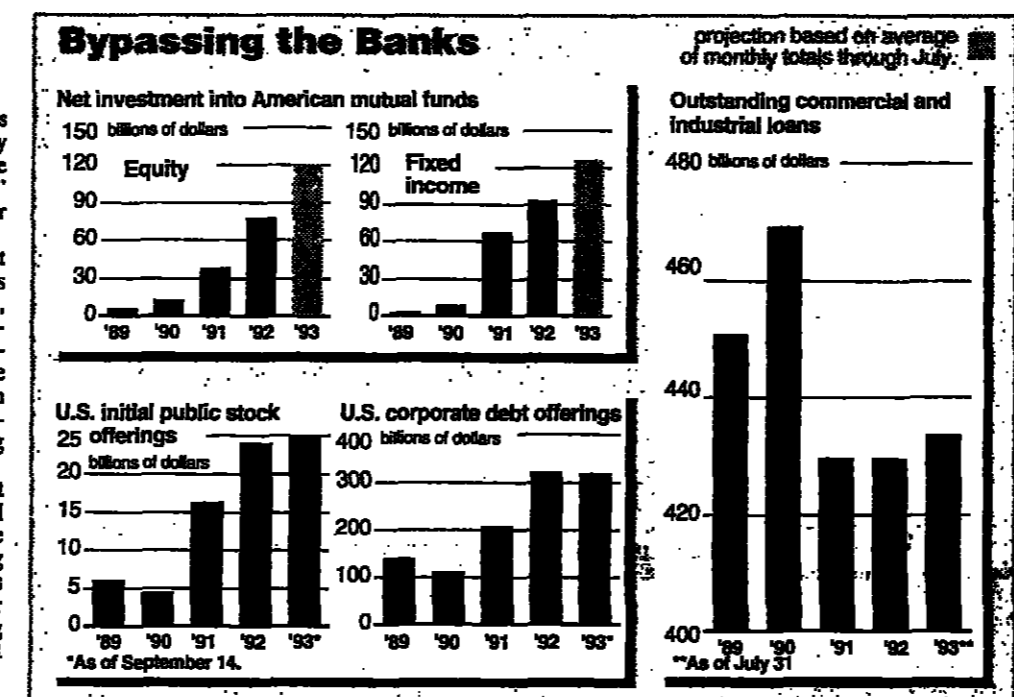
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But what happens when the crank stops? After all, stocks are trading at valuations never before seen, meaning shareholders are assuming significant expansion of earnings. And bond traders have factored in a long period of stable growth with low inflation.

Many observers take these developments, and such phenomena as the love affair with foreign, especially emerging, markets, as signs of reckless euphoria.

Even if the markets take a big

tumble, it is unlikely that commercial banks will play their former role in corporate lending. "It would be hard to imagine that would happen," Mr. Johnson said. "It would take an enormous sort of financial crisis or upheaval that virtually eliminated confidence of savers in money market mutual funds or other types of investment."

Actually, in such a circumstance, it is more probable that financing of all sorts would dry up. "What if either monetary or fiscal policy becomes deflationary at a time when there's so much

deflationary pressure?" he asked. "We have been muddling along. If this happens . . . companies won't be able to pay money to reduce debt, they won't be able to refinance old debt at lower cost; companies won't be able to raise money in the stock and bond markets to reduce debt. . . . It would derail the process of deleveraging America, and I can't think of worse news."

CONRAD DE AENLLE is a Paris-based financial and economics writer.

THE NATIONAL BANK OF HUNGARY

as the central bank of the country, in charge of monetary policy, issues regularly long-term securities in the international capital markets since 1971, named in 1993 "European sovereign borrower of the Year" (World Best Credits - Euromoney).

ISSUES in 1993:

JPY	DEM	CHF
JPY 30,000 m due 1998	DEM 600 m due 2000	CHF 100 m due 2000
JPY 40,000 m due 1998	DEM 1 bn due 2000	
JPY 50,000 m due 2000	DEM 1 bn due 2003	
JPY 50,000 m due 1999		

DAIWA SECURITIES BAYERISCHE LANDESBANK SCHWEIZERISCHE V. B.
DEUTSCHE BANK

USD	GBP
USD 150 m due 1998	GBP 100 m due 2003
BANKERS TRUST	J.P.MORGAN

- About 90% of funds, raised on the international capital market were secured from private sources,
- Economic and political stability make the country attractive for direct foreign investments, reaching USD 5.5 billion by summer 1993,
- Foreign exchange reserves held by the National Bank of Hungary are around USD 5.5 billion, corresponding to six months of imports,
- The two-tier banking system, re-established six years ago, offers wide range of financial services to businesses both at home and abroad.

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TRIB INDEX

making Ahead
Europe Needs

CURR

1500

010

BUSINESS

International Herald Tribune, Tuesday, September 28, 1993

THE TRIB INDEX: 106.25

International Herald Tribune World Stock Index of 230 internationally investable stocks from 20 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.

The index tracks U.S. dollar values of stocks in: Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

Region	Approx. Weighting	Close	Prev. Close	Change
Asia/Pacific	25%	121.50	104.42	+17.08
Europe	40%	106.00	104.42	+1.58
N. America	35%	93.57	92.96	+0.61

Industrial Sector	Close	Change
Energy	108.47	+1.26
Utilities	110.83	-0.56
Finance	114.60	-0.17
Services	116.53	+1.03
Capital Goods	101.93	+0.59
Raw Materials	102.88	+1.05
Consumer Goods	89.98	+0.47
Miscellaneous	108.28	+0.58

A Call to Defend the EC Ramparts

Belgium Asks for Protection of Airline Industry

By Tom Buerkle
International Herald Tribune

BRUSSELS—European Community officials, hounded by more than a year of monetary crises and political paralysis over plans for closer integration, tout the single market for goods and services as a permanent and unchallenged symbol of European progress.

But today even that symbol is under attack. As the recession bites and Europe's record unemployment lines grow longer, the single market process of deregulation and competition is threatened by calls for protection.

On Monday, Belgium urged its EC partners to turn back on Europe's already hesitant path of liberalization by allowing air carriers to work together to cut capacity and draw EC funding to help ride out the industry's huge losses. Many carriers also are tapping their national governments for bailouts, and Competition Commissioner Karel Van Miert has warned of a subsidy free-for-all if aid requests are not resisted.

The Belgian initiative follows setbacks in telecommunications, where EC leaders succeeded in delaying cross-border competition in voice telephony until 1998, and in energy, where the EC Commission has been blocked in its attempt to force power monopolies to open their grids to competitors.

More broadly, the suggestion by Commission President Jacques Delors to restore monetary stability by bringing back capital controls and allegations by French and Belgian officials that Europe's monetary upheavals were the result of an Anglo-Saxon plot, reflect a deep-seated suspicion of the market forces that European unity was supposed to unleash, analysts said.

The Community also remains divided on trade, with French opposition to an EC-U.S. farm pact looming as the biggest obstacle to a landmark deal to liberalize commerce.

"The Community process is under attack and has been since the Danes voted against Maastricht," said J. Paul Horne, chief international economist at Smith Barney Shearson in Paris. The tortuous ratification process of the Treaty on European Union has fostered growing doubts among the public about the pact's objectives of political and economic integration, Mr. Horne said.

On the economic side, the idea that integration must involve greater competition and less regulation is under attack because of the pain of recession, he said. Bernard Attali, the Air France head who recently called for airline collusion on capacity and prices, found himself under attack from his own government after announcing plans to cut 4,000 jobs earlier this month.

"Everybody's feeling the heat," Mr. Horne said. As a result, he added, "The single market, Maastricht and the European Monetary System are in trouble."

The European market, it must be said, remains much more open than a decade ago because of EC efforts to tear down national customs, tax and regulatory barriers. The commission, the EC executive agency, said Monday that 90 percent of the 282 legal measures establishing the single market were in force.

But in several key areas such as public procurement, pharmaceuticals, insurance, intellectual and industrial property, and the free movement of labor, big barriers still remain. As Mr. Horne said, talk of going beyond the single-market plan, which was drawn up nearly a decade ago is "absolutely nil."

The pressure to revert to old-style cartel arrangements is especially strong in aviation because of the size of the industry's losses. European carriers have bled a combined \$5 billion over the last three years.

Pierre Godfroid, chairman of Belgium's Sabena, told an EC panel of aviation specialists two weeks ago that his company needed help because after laying off about 20 percent of its staff and imposing 17 percent wage cuts on the remainder, it was becoming "indecent" to ask employees for more. His appeal for aid and cooperation on capacity formed the basis for the Belgian government proposal.

OPEC Ministers Aim to Impose Output Ceiling

Compiled by Our Staff From Dispatches

GENEVA—Saudi Arabia, the world's largest oil producer, came under pressure Monday to freeze its pumping of crude oil after OPEC agreed to general limits on production in a desperate attempt to pull prices back up.

Ministers of the dozen members of the Organization of Petroleum Exporting Countries opened a third day of bargaining by announcing a decision to limit the group's total output to 24.5 million barrels a day over the next three months. That would hold output at or slightly below current levels. They were still searching, however, for agreement among members on exactly how to apportion that production quota.

The nations hope their agreement will arrest the deterioration in oil prices, which in recent weeks have fallen to their lowest levels in three years. An OPEC benchmark price has been running about \$6 below the group's target of \$21 a barrel.

"We have now solved 50 percent of the problem," said the OPEC secretary-general, Subroto of Indonesia.

The Venezuelan oil minister, Alirio Parra, described the production accord as "a turning point" that would "send a good signal to the market."

The decision to cap production was disclosed after reports that President Hashemi Rafsanjani of Iran had made a telephone call to King Fahd of Saudi Arabia. Mr. Rafsanjani, according to Tehran Radio, urged "cooperation" to drive oil prices up.

But analysts said there was considerable skepticism in the oil market that the producers, who have reached and breached many production agreements in the past, would abide by any new output limits.

The group currently is pumping about 1 million barrels a day more than its official limit of 23.6 million barrels a day for the third quarter.

In New York, the price of light sweet crude oil for delivery in November rose 16 cents in the wake of the accord, to close at \$17.73 a barrel.

The ministers began bargaining in late afternoon to decide on the production quotas that would be assigned to each nation. Saudi Arabia, which supplies about one-third of OPEC's oil, was under pressure to hold pumping steady at its current quota of 8 million barrels a day, delegates said.

The United Arab Emirates, announced OPEC, Page 21

Iran Says It Sought Saudi Help

New York Times Service

GENEVA—Iran said Monday that President Hashemi Rafsanjani had telephoned King Fahd of Saudi Arabia to obtain the king's support for higher oil prices and closer cooperation.

Iranian radio said the two had agreed to cooperate on a policy intended to boost oil prices above their current general level of \$15 a barrel.

The current target is \$21, a goal that has eluded the Organization of Petroleum Exporting Countries for years, partly because of intense political competition between Saudi Arabia and Iran within OPEC.

The highly unusual telephone call, announced in some detail by the state radio, reflects Iran's eagerness for more revenue to help its depressed economy.

The announcement may also have been aimed at putting public pressure on Saudi Arabia to change its free-market approach to oil pricing that has tended to result in low prices.

U.S. Won't Budge on Blair House Pact

Compiled by Our Staff From Dispatches

WASHINGTON—U.S. and European negotiators reported on Monday after efforts to resolve a dispute over reductions in farm subsidies.

The U.S. trade representative, Mickey Kantor, and Sir Leon Brittan, chief trade negotiator for the 12-nation European Community, held a joint news conference in which their statements made it clear that both sides remained far apart after six hours of talks on an issue that is threatening to scuttle a global trade agreement.

Mr. Kantor said the U.S. administration had made no change in its firm decision not to reopen an agreement negotiated last year that would cut farm-export subsidies.

Separately, the International Monetary Fund and the World Bank teamed up with the General Agreement on Tariffs and Trade to pressure the United States and the Community to unblock the global trade pact.

The heads of the three international institutions issued an unusual joint statement warning of the dire consequences for the world economy of a failure to settle the Uruguay Round of trade talks by a December deadline.

The GATT director-general, Peter Sutherland, said at a joint news conference on the sidelines of the International Monetary Fund and World Bank annual meetings that it was a matter for the Community and the U.S. to "blitz" to make sure that this round happens.

"I can't believe that it is a probability that this round will fail. I do concede that there is a substantial risk," said Mr. Sutherland, who was Sir Leon's predecessor as EC Trade Commissioner during previous attempts to reach a GATT deal.

A joint statement issued with Michel Camdessus, managing director of the IMF, and Lewis Preston, president of the World Bank, said: "Failure to conclude the round would lead to greater protectionism and loss of confidence."

A joint study published Monday by the World Bank said a successful Uruguay Round, now in its seventh year, could add \$213 billion a year to the world's income in a decade.

But the United States and the Community have indicated that sorting out their differences is not going to be a quick or easy matter.

After a crisis meeting last Monday, the 12 EC states agreed to back French demands for a renegotiation of the farm trade deal signed by Sir Leon with the United States last November.

The French economy minister, Edmond Alphandery, repeated that Paris wanted a GATT deal but that it would not be rushed.

A spokesman for Mr. Kantor said he would meet with Alain Juppé, foreign minister of France, to discuss differences on the Blair House agreement. The meeting will be held at the request of France and most likely will take place on Friday morning.

Mr. Kantor's office also said he would resume talks with Sir Leon on Oct. 13 in Brussels.

One European official said in Washington it was unlikely that pressure from the international bodies would influence the talks.

"This is a bust-up between the world's biggest agricultural exporter and the second-biggest," he said, referring to the United States and France.

(AP, Reuters, AFP)

Thinking Ahead

Europe Needs to Fire Its Engine

By Reginald Dale
International Herald Tribune

WASHINGTON—What the world needs is a rocket. Merely abandoning the trite metaphor of the locomotive, the international officials who are trying to provide lift-off for the global economy say a rocket thrust from three engines at once will be necessary.

One good reason for not talking about locomotives is that there aren't any more. No one country is strong enough to pull the world out of recession, as the United States last did in the 1980s.

For months now, the world's economic leaders have been calling for simultaneous action on three fronts: reduction of the budget deficit in the United States, stimulus to the economy in Japan and lower interest rates in Europe.

It's a convenient strategy in the sense that it reflects what the three are already trying to do, so it doesn't require any major policy departures. And, as the Group of Seven confirmed with another insipid meeting in Washington this weekend, nobody can see what else to do anyway.

With every major country except Japan fighting to reduce big budget deficits, there's little room for a traditional fiscal shot in the arm.

So it would be nice if the world's major economic power centers would at least get on with fueling up the rocket engines. As it is, none of them is doing enough.

In the United States, President Bill Clinton has made a start on cutting the budget deficit, but he still has a long way to go. Japan has been busy trying to boost its economy, with stimulus packages and interest-rate cuts, but still needs to do more, preferably by cutting income taxes.

But it is the Europeans who are the worst laggards.

There is no longer any reason for the Europeans not to cut interest rates faster. And in the last few days, they have come under a barrage of calls to do just that—from Lloyd Benetton, the U.S. Treasury secretary, from an unusually outspoken International Monetary Fund and from their own Sir Leon Brittan at the EC Commission.

The Europeans are running out of excuses.

Investcorp Buys Up Rest Of Gucci

MILAN—An Arab-backed investment bank became the sole owner Monday of the luxury-goods maker Gucci, once a symbol of Italian designer chic whose reputation had become tarnished by family feuds and tattered finances.

Investcorp, a bank based in Bahrain, and Maurizio Gucci, co-owner and chief executive of the company, said in a joint statement that Investcorp had bought its former partner's 50 percent stake for an undisclosed sum.

The decision ends a year-long battle for control of the unprofitable leather-goods and clothing company that had threatened to paralyze the group's operations.

According to the statement released in London and Milan, the bank bought out Mr. Gucci in a "friendly and amicable resolution" of the dispute.

"Investcorp will provide the financial strength and ensure the managerial and marketing expertise required to continue the restructuring and repositioning of the group which I initiated a few years ago," Mr. Gucci said.

But the friendly wording of the divorce agreement belied the bitterness of a marriage in which Mr. Gucci and Investcorp took their struggle for command into the courts. At one point, the company's

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CURRENCY & INTEREST RATES

Sept. 27

Cross Rates	Sept. 27	Sept. 27
American	1.270	1.270
Brexit	1.270	1.270
Frankfurt	1.270	1.270
London	1.270	1.270
Madrid	1.270	1.270
Milan	1.270	1.270
New York (N)	1.270	1.270
Paris	1.270	1.270
Tokyo	1.270	1.270
Zurich	1.270	1.270
1 ECU	1.270	1.270

Eurocurrency Deposits	Sept. 27
1-month	3 1/2-3 3/4
3-month	3 3/4-3 1/2
6-month	3 1/2-3 1/4
1-year	3 1/4-3 1/2

Key Money Rates	Sept. 27
Discount rate	3.00
Prime rate	4.00
Federal funds	3 1/2
3-month CD	2 3/4
6-month CD	2 1/2
9-month CD	2 1/4
1-year Treasury bill	2 1/4
2-year Treasury bill	2 1/4
3-year Treasury bill	2 1/4
5-year Treasury note	2 1/4
10-year Treasury note	2 1/4
30-year Treasury bond	2 1/4
Merrill Lynch 30-day Treasury bill	2.68

Other Dollar Values	Sept. 27
Caribbean	1.270
Central America	1.270
East Africa	1.270
East Asia	1.270
East Europe	1.270
East Africa	1.270
East Asia	1.270
East Europe	1.270
East Africa	1.270
East Asia	1.270
East Europe	1.270

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MARKET DIARY

Bond and Oil Gains Kindle Stock Rally

Compiled by Our Staff From Dispatches NEW YORK — Stocks rose sharply Monday, boosted by soaring bonds, rising oil shares and program trading.

N.Y. Stocks

The Dow Jones industrial average rose 24.59 points, to 3,567.70, and advancing issues on the New York Stock Exchange outnumbered decliners by an 11-to-6 ratio.

Traders cited the buoyant bond market as the central catalyst for the stock rally. The 30-year Treasury bond's yield tumbled to 5.95 percent from 6.05 percent on Friday as its price jumped 1/132, to 104 5/32.

The fixed-income market was energized by the Federal Reserve Board's revelation late Friday that its policy-setting Federal Open Market Committee had shifted its stance away from raising interest rates in August.

With U.S. money-market rates low, funds are flowing to higher-yielding investments, such as stocks and long-term bonds. "As long as short-term rates are at 3 percent, people that are rolling certificates of deposit are looking for other alternatives," said Steven Northern of Massachusetts Financial Services.

Oil stocks rallied on reports the Organization of Petroleum Exporting Countries agreed to a four-quarter production ceiling of 34.5 million barrels a day. If the agreement holds, output would be cut from the current rate of 24.7 million barrels. The November crude oil contract on the New York Mercantile Exchange gained 16 cents, rising to \$17.73 a barrel.

Early program buying helped set the tone for the session.

BankAmerica was the most active New York Stock Exchange issue, down 1 at 45.4. Prudential Securities Inc. upgraded its rating on the second-largest U.S. banking company, but Donaldson Lufkin & Jenrette Securities removed it from America from its recommended list, and trimmed earnings estimates for 1993 and 1994.

International Game Technology followed up 1 at 40.7. The gambling industry has shown strength in recent sessions.

Intel led the over-the-counter market, rising 1 1/2 to 70 1/2, followed by Microsoft, up 2 1/2 to 82 1/2. Strong people that are rolling certificates of deposit are looking for other alternatives," said Steven Northern of Massachusetts Financial Services.

The Dow



Daily closing prices of Dow Jones Industrial Average

Dow Jones Averages

Table with columns: Index, High, Low, Last, Chg. Includes Dow Jones Industrial Average, Standard & Poor's 500, NYSE Composite, and NASDAQ Composite.

Standard & Poor's Indexes

Table with columns: Index, High, Low, Last, Chg. Includes S&P 500, S&P 400, S&P 600, S&P 900, S&P 1300, S&P 2000, S&P 4000, S&P 6000, S&P 9000, S&P 13000, S&P 20000, S&P 40000, S&P 60000, S&P 90000, S&P 130000, S&P 200000.

NYSE Indexes

Table with columns: Index, High, Low, Last, Chg. Includes NYSE Composite, NYSE Industrial, NYSE Utility, NYSE Bond, NYSE Energy, NYSE Health Care, NYSE Technology, NYSE Consumer Goods, NYSE Financial, NYSE Real Estate, NYSE Other.

NASDAQ Indexes

Table with columns: Index, High, Low, Last, Chg. Includes NASDAQ Composite, NASDAQ Industrial, NASDAQ Utility, NASDAQ Bond, NASDAQ Energy, NASDAQ Health Care, NASDAQ Technology, NASDAQ Consumer Goods, NASDAQ Financial, NASDAQ Real Estate, NASDAQ Other.

NYSE Most Actives

Table with columns: Symbol, Vol., High, Low, Last, Chg. Lists top trading stocks on the NYSE.

NYSE Most Actives

Table with columns: Symbol, Vol., High, Low, Last, Chg. Lists top trading stocks on the NYSE.

N.Y.S.E. Odd-Lot Trading

Table with columns: Symbol, Buy, Sell, Start, End. Lists odd-lot trading activity.

S&P 100 Index Options

Table with columns: Strike, Call, Put, Last, Chg. Lists S&P 100 index options.

EUROPEAN FUTURES

Table with columns: Close, High, Low, Prev. Close. Lists European futures contracts.

Food

Table with columns: COCOA (ICE), COFFEE (ICE), WHITE SUGAR (ICE). Lists food futures.

Metals

Table with columns: ALUMINUM (COMEX), COPPER (COMEX), GOLD (COMEX). Lists metal futures.

Stocks

Table with columns: FTSE 100 (LIFPE), Nikkei 225 (LIFPE), Hang Seng 100 (LIFPE). Lists stock futures.

Dividends

Table with columns: Company, Dividend, Ex-Dividend Date. Lists dividend-paying stocks.

For Investment Information

Table with columns: Report, Date, Frequency. Lists investment reports.

U.S. FUTURES

Table with columns: Symbol, High, Low, Last, Chg. Lists U.S. futures contracts.

Grains

Table with columns: WHEAT (CBOT), CORN (CBOT), SOYBEANS (CBOT). Lists grain futures.

Livestock

Table with columns: CATTLE (CBOT), PORK (CBOT), HOGS (CBOT). Lists livestock futures.

Financial

Table with columns: U.S. TREASURY (CBOT), EURO TREASURY (CBOT). Lists financial futures.

Food

Table with columns: COFFEE (ICE), SUGAR (ICE). Lists food futures.

Metals

Table with columns: ALUMINUM (COMEX), COPPER (COMEX), GOLD (COMEX). Lists metal futures.

Stocks

Table with columns: FTSE 100 (LIFPE), Nikkei 225 (LIFPE), Hang Seng 100 (LIFPE). Lists stock futures.

Paramount: QVC Must Detail Funding

NEW YORK (UPI)—Paramount Communications Inc. said Monday it would consider QVC Network Inc.'s hostile buyout offer once QVC provided details of the bid's financing.

Martin S. Davis, the Paramount chairman, said: "The board of directors met today and took no action on the QVC proposal. Paramount will consider the QVC proposal when there is satisfactory evidence of financing." The move by Paramount steers a middle course between the rival bids from QVC, worth about \$10 billion, and Viacom Inc.'s friendly offer of about \$7.8 billion.

Barry Diller, in a letter sent to Mr. Davis over the weekend, said there was "no question" about the financing. Allen & Co., an investment firm, gave QVC its "assurance" funding was available.

William L. Koch, chairman of Kendall Square Research Corp. and winner of the 1992 America's Cup yacht race, said he planned to bid for at least part of Metro-Goldwyn-Mayer Inc., currently owned by Credit Lyonnais. (UPI)

Floods Cut U.S. Home Sales in August

WASHINGTON (AP)—A four-month string of rising home sales was swayed in August when the effects of heavy rains in the Midwest kept buyers from taking advantage of low mortgage rates, an industry group announced Monday.

Home buying also slowed in the South, although much less than in the Midwest, and helped offset gains in the Northeast and West. Sales of existing single-family homes nationally totaled a seasonally adjusted annual rate of 3.81 million, down 1.3 percent from 3.86 million in July, the National Association of Realtors reported.

Suit Says Apple Forced CEO Switch

NEW YORK (AP)—Apple Computer Inc.'s board of directors forced John Sculley to step aside as chief executive officer in June, according to a lawsuit filed by a director who was forced out of the company.

If true, the claim would sharply contradict explanations by Apple and Mr. Sculley of the transition. But it would confirm speculation in financial and technology circles of upheaval that has been worse than publicly discussed by the No. 2 maker of personal computers.

Albert A. Eisenstat, the company's former executive vice president and a director since 1985, made the claims in a lawsuit he filed last week in a California state court. He sued Apple and Michael Spindler, who succeeded Mr. Sculley as chief executive, alleging breach of contract, wrongful termination and age discrimination. He claimed he was forced out because he opposed Mr. Spindler's reorganization plans.

For the Record

Philip Morris Cos. said Monday it would invest more than \$200 million in a cigarette-manufacturing business in the former Soviet republic of Kazakhstan. (Bloomberg)

Commonwealth Edison Co. said it would refund \$1.34 billion to customers and reduce electricity rates by 6 percent to settle a six-year court battle with consumers. (Bloomberg)

Spiegel Inc. said it had formed a joint venture with Time Warner Inc. to create two new home-shopping services for cable television. (Reuters)

Weekend Box Office

Table with columns: Title, Gross, Weeks. Lists weekend box office results.

Easing Russian Tension Pushes Dollar Lower

NEW YORK — The dollar fell against major European currencies on Monday, losing strength as tensions in Russia weakened.

Investors last week fled to the perceived safety of the U.S. dollar and out of German marks after President Boris N. Yeltsin of Russia disbanded the parliament.

Technically, the yen was poised to weaken, according to Peter Bokma of United Gulf Management. "All the shorter- and longer-moving averages and their chart patterns very strongly suggest that the yen will be higher against both dollar and mark within a few weeks, perhaps to 109 yen to the dollar," he said.

Earlier in London, the dollar slipped against the mark because of the evaporating Russian tensions. The dollar stood at 1.6310 DM, down from 1.6385 DM before the weekend.

The Russian talk has been pushed into the back of dealers' minds, said Stan Pratt, chief dealer at National Australia Bank in London. "It looks like Yeltsin has got the upper hand." (Bloomberg)

The dollar edged up to 106.10 yen.

U.S. Leaving Coffee Group

WASHINGTON — The United States announced Monday it was withdrawing from the International Coffee Organization, in another blow to the world's price-supporting commodity pact.

Producer nations expressed deep disappointment at the U.S. move, with Brazil saying it indicated "a certain indifference" on the part of President Bill Clinton's administration.

But the American delegate, Ralph Ives, said at a council meeting of the London-based group: "Given our decades of commitment to international cooperation in coffee, we do not take this step lightly. We simply do not have the support at home to remain in the coffee agreement."

The U.S. move was seen as a sign of the administration's focus on trade liberalization and free-market reforms.

The move was also seen as a sign of the administration's focus on trade liberalization and free-market reforms.

WORLD STOCK MARKETS

Large table showing world stock market indices for various countries including Amsterdam, Brussels, Frankfurt, London, Milan, Paris, Sao Paulo, Singapore, Stockholm, Toronto, Tokyo, Zurich, and others.

U.S. FUTURES

Table showing U.S. futures contracts for various commodities including grains, livestock, and financial instruments.

U.S. FUTURES

Table showing U.S. futures contracts for various commodities including grains, livestock, and financial instruments.

U.S./AT THE CLOSE

Table showing U.S. stock market indices and futures contracts for various commodities including grains, livestock, and financial instruments.

Handwritten Arabic text at the bottom of the page.

NYSE

Monday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trading elsewhere. Via The Associated Press

Table with columns: 12 Month High, 12 Month Low, Div, Yld, PE, %Chg, High, Low, Last, Chg, CLOSING. Lists various stocks and their prices.

European Steel Outlook Stays Weak

GENEVA — The troubles of Europe's striking steel industry are unlikely to diminish this year, but the United States and Japan are expected to see growth, a United Nations report said Monday. The report, issued annually by the UN's Economic Commission for Europe, predicted U.S. steel shipments would rise 4 percent this year, reflecting economic growth. In Japan, where output dropped 10.5 percent and consumption by 15.1 percent in 1992, the report said a slight increase in production was forecast for this year despite falling consumption, especially in construction and manufacturing. The report, called "The Steel Market in 1993," had a gloomier assessment for Europe. "For 1993, forecasts indicate that the steel sector of the EC will continue facing a difficult situation," it said. "Steel demand continued to fall during the first quarter of the year due to the drop in activity of the main consuming sectors," the study said, listing tubes, shipbuilding, construction, engineering and the automobile industries. European Community consumption of steel products from all sources was expected to drop by 7.1 percent over the year. This would represent a decline of nearly 7.5 million metric tons, against a reduction of only 574,000 tons in 1992 from 1991 consumption of 107.1 million tons. The industry in the 12 member countries of the EC is working on a restructuring plan that would involve cuts in capacity. The report said production forecasts for 1993 were difficult amid divergent market trends, but although producers could have some success in balancing supply and demand the official forecast of 129 million tons might be optimistic.

Table with columns: 12 Month High, 12 Month Low, Div, Yld, PE, %Chg, High, Low, Last, Chg, CLOSING. Lists various stocks and their prices.

INTERNATIONAL FUNDS

Sept. 27, 1993
The symbols indicate frequency of quotations: daily; (w) - weekly; (b) - bi-monthly; (m) - monthly; (q) - quarterly; (y) - yearly.

Large table of international fund listings including: EUROPA FUNDS LIMITED, MATTHEWS INTERNATIONAL, PREMIER INVESTMENT FUNDS LTD, and various regional and global funds.

Large table of international fund listings including: PREMIER INVESTMENT FUNDS LTD, THORNTON MANAGEMENT LTD, and various regional and global funds.

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ASIA/PACIFIC

JAL Shuffles Its Global Schedule

TOKYO — Japan Air Lines Co. will rearrange its international flight schedule to maximize profits and minimize costs, a company spokesman said Monday.

Japan Slips in Gulf Trade High Yen and Import Curbs Are Cited

ABU DHABI — Japan is losing its two main markets in the Gulf — Iran and Saudi Arabia — to the rising yen and Iranian import restrictions, according to an official Japanese report.

Khoos Will Take Executive Post at Hutchison Telecom

HONG KONG — Hutchison Whampoa Ltd. said Monday it had appointed Khoos Chek Ngee as group managing director of its Hutchison Telecommunications Ltd. unit, succeeding Richard Siemens, who it said had resigned.

Investor's Asia

Table with columns for Exchange, Index, Monday Close, Prev. Close, % Change. Includes Hong Kong Hang Seng, Singapore Straits Times, Tokyo Nikkei 225, Sydney All Ordinaries, Kuala Lumpur Composite, Bangkok SET, Seoul Composite Stock, Taipei Weighted Price, Manila Composite, Jakarta Stock Index, New Zealand NZSE-40, Bombay National Index.

Very briefly:

- Six Japanese banks said they would cut their long-term prime-lending rates by 0.3 of a percentage point, to 4.5 percent, effective Friday. The rate cut will be the third in three months.

Shiseido Loses Court Fight With Retailer

TOKYO — Discounters won a round in their battle with Shiseido Co. when the Tokyo District Court ordered it to supply a retailer that puts the company's cosmetics on store shelves rather than dispensing them through sales personnel.

There is a possibility that it is violating the Anti-Monopoly Law. The court ordered Shiseido to supply the retailer to resume shipments to Fujitsu House, one of several retailers challenging the practice of selling cosmetics only through salespeople, who are supposed to provide advice on how to use the products.

Discounters and foreign companies, however, have complained that the Shiseido requirements were part of a sales distribution system that limited competition.

The Shiseido units said they stopped the shipments because Kawachiya was wholesaling Shiseido products, making it difficult to offer make-up advice to consumers.

Wheelock Name To Be Revived In China Trade

HONG KONG — The old British merchant house of Wheelock will again trade in China when a Hong Kong conglomerate, World International (Holdings) Ltd., revives its famous ancestor's name.

EC: Belgium Suggests Protection

Continued from Page 17 al made at a meeting of EC transport ministers Monday.

with foreign governments, something they have rejected. Although he did not directly criticize the pact last week between Bonn and Washington, he said such bilateral accords pose a danger because the United States can exploit its size and differences between EC states.

GUCCI: Struggle Ends

Continued from Page 17 Italian and U.S. operations were even using each other.

OPEC: A Quest for Cuts

Continued from Page 17 other major producer, also was considered a likely candidate for a production freeze at 2.2 million barrels a day.

COMPANY RESULTS

Table with columns for Country, Company Name, 1992 Revenue, 1992 Profit, 1993 Revenue, 1993 Profit, 1993 Per Share.

Nissan Spreads Production

TOKYO — Nissan Motor Co. plans to extend production of its new Asian-produced car to Malaysia this year and the Philippines by mid-1994, a company spokesman said Monday.

The company also announced plans to extend its mutual parts supply system among its Asian plants to about 200 components for the new model, with a combined value of around 2 billion yen (\$18.9 million) a year.

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SPORTS

With Swift's 20th Victory, Giants Still Dog Braves

The Associated Press Billy Swift became the Giants' second 20-game winner and Barry Bonds hit his fourth home run in three games as San Francisco beat the visiting San Diego Padres, 5-2, to stay 1 1/2 games behind Atlanta in the National League West.

NL ROUNDUP

the Giants, who trail the Braves by a game in the loss column. The Braves beat Philadelphia on Sunday, but were idle Monday. San Francisco was to play San Diego late Monday.

nearly knocked him off his feet, and Bonds drove the 1-2 pitch into the right-field seats.

NL ROUNDUP

the Giants, who trail the Braves by a game in the loss column. The Braves beat Philadelphia on Sunday, but were idle Monday. San Francisco was to play San Diego late Monday.

wasn't enough as Houston's Mark Portugal won his 11th straight. Piazza is the first Dodger with 100 RBIs since Pedro Guerrero in 1983.

NL ROUNDUP

the Giants, who trail the Braves by a game in the loss column. The Braves beat Philadelphia on Sunday, but were idle Monday. San Francisco was to play San Diego late Monday.



The Giants' Kirk Maury failed to prevent the Padres' Luis Lopez from turning the double play.

World Soccer Bans Marseille From 2 Cups

ZURICH — Olympique Marseille, barred from defending its European Champions' Cup title this season, was banned on Monday from playing for soccer's Intercontinental Cup and Super Cup.

Lenart Johansson, the president of soccer's European governing body, UEFA, said AC Milan would take the place of Marseille in the Intercontinental Cup against the South American champion, Sao Paulo, and in the Super Cup against Italy's AC Parma.

The sanctions were announced after a meeting between the leaders of FIFA, soccer's world governing body, and UEFA.

Marseille's owner, Bernard Tapie, was defiant about the ruling, which marked a low in his team's fall from soccer supremacy.

"We will have our revenge," he told French radio. "We will not die."

Tapie called the ban "unfair," but said that he would not quit.

FIFA's general secretary, Joseph Blatter, said Marseille's former general manager and three players at the center of match-fixing allegations would be banned from soccer activity internationally.

Orioles See Their Pennant Hopes Swept Away by the Tigers

By David Nakamura Washington Post Service BALTIMORE — The Baltimore Orioles spent 25 weeks chasing first place. They'll begin their final week trying for second.

AL ROUNDUP

are eliminated from the pennant race in the American League East. The first-place Toronto Blue Jays led one victory or a New York Yankees loss to clinch the division.

The Orioles, who were forced to play the doubleheader when Saturday's game against the Tigers was rained out, looked sluggish.

AL ROUNDUP

are eliminated from the pennant race in the American League East. The first-place Toronto Blue Jays led one victory or a New York Yankees loss to clinch the division.

over "if they clinch," said Franco. "We're not going to quit."

AL ROUNDUP

are eliminated from the pennant race in the American League East. The first-place Toronto Blue Jays led one victory or a New York Yankees loss to clinch the division.

16th of his career. It was his first five-RBI game since May 22, 1988.

AL ROUNDUP

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son, Sandy Koufax, Mickey Lolich, Sam McDowell, J. R. Richard, Mike Scott and Rube Waddell.

AL ROUNDUP

are eliminated from the pennant race in the American League East. The first-place Toronto Blue Jays led one victory or a New York Yankees loss to clinch the division.

since Aug. 14, and Rick Aguilera pitched the ninth in Boston for his 33rd save.

AL ROUNDUP

are eliminated from the pennant race in the American League East. The first-place Toronto Blue Jays led one victory or a New York Yankees loss to clinch the division.

HIGHLIGHTS

Faldo Sets Record as World No. 1

LONDON (AFP) — Nick Faldo of Britain is the world's No. 1 golfer for a record 63rd consecutive week, according to computer rankings released on Monday.

WBC Confirms Lewis-Bruno Referee

TOKYO (Reuters) — Mickey Vann, who was involved in a scoring controversy two weeks ago, has been confirmed as referee for Saturday's World Boxing Council heavyweight title bout between Lennox Lewis and Frank Bruno in Cardiff, Wales, despite the objections of the Bruno camp.

Van Basten's Return Date Uncertain

MILAN (AP) — The timing of Marco Van Basten's comeback with the Italian soccer champion AC Milan remained uncertain Monday, as doctors could not authorize resumption of full-time training for the long-suffering Dutch international striker.

Swiss Yacht Leads Whitbread Race

SOUTHAMPTON, England (AFP) — Switzerland's Merit Cup kept up its explosive pace in the Whitbread Round the World yacht race on Monday.

For the Record

Byun Jung Il of South Korea regained the World Boxing Council bantamweight title when Joichiro Tatsuyoshi of Japan gave up his provisional title on Monday because of an eye injury.

Is McEnroe Too Testy to Lead U.S. Team?

By Robin Finn New York Times Service

CHARLOTTE, North Carolina — First his players plotted a 5-0 sweep of their congenial Davis Cup challengers from the Bahamas in a face-saving relegation match.

Frazer said Sunday, "but I honestly believe that having played Davis Cup is a factor."

What is not a factor, insisted Frazer, is McEnroe's tendency to snub the association, a habit most lately on display in his challenge to the Davis Cup committee to go ahead and hire him for the captaincy if they want to find out if he is sufficiently "grown up" to handle it.

Agence France-Presse reported. The amount of the fine was not disclosed.

Agassi refused to play when his scheduled opponent, Mark Knowles, withdrew because of health problems. Knowles had been forced to retire because of severe cramps on Friday while he was leading his opening singles match against Petr Valach.

Wanderer Linked to Swedish Job

Mats Wilander may replace John-Anders Sjogren as Sweden's Davis Cup captain, the Svenska Dagbladet reported Monday, according to The Associated Press.

Seoul Bettors Riot After Horse Is Disqualified

Compiled by Our Staff From Dispatches

SEOUL — Thousands of angry bettors, convinced that a horse race had been rigged, went on a three-hour rampage at the Kwachon race course, the police said on Monday.

Witnesses said some protesters broke into a building, smashing windows and setting fire to chairs. Others fought race officials and burned their betting stubs.

The protesters dispersed after hundreds of riot police arrested. Thirty people were injured. A police spokesman said four protesters were arrested and were being questioned.

ITF Fines Agassi for Match Snub

The International Tennis Federation fined Agassi on Sunday for refusing to play his reverse singles match against the Bahamas.

Derby Winner Out for the Year

Sea Hero, the Kentucky Derby winner, will not race again this year because of a knee injury, according to the trainer Mack Miller. The Associated Press reported.

A small calcium deposit was discovered just above the colic's knee joint after Sea Hero's third-place finish last week in Woodbine's Motson Export Million, Miller said.

"He came out of the race fine," Miller said over the weekend from the Rokeby Stable barn at Belmont Park. "But we're not going to run him any more this year. We will have him here for the spring."

Sea Hero also won the Travers at Saratoga, and would have figured as a major contender in this year's Breeders' Cup Classic.

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ART BUCHWALD

TelePrompTerror

WASHINGTON — In Washington President Clinton's recent speech to Congress on the health-care system is considered the best he has ever given. But there was one small glitch, which was not of his doing, and it has everyone in the capital biting their nails.



Art Buchwald

As the president got ready to address the nation his TelePrompTer came up with the wrong speech. If he hadn't been able to wing it for 10 minutes the country could have been in even more serious trouble than it is now.

Here's what happened: The TelePrompTer works on a computer that has a hard disk and a floppy disk that store information. The floppy contained the health message — the hard disk had the president's State of the Union speech. Someone, and the search continues to find that someone, pushed the wrong button.

The president started to talk and realized right away that the speech on the screen was not the one he was supposed to be giving. He informed Al Gore who left his seat to tell the White House staff that they would really need emergency health insurance if they didn't fix the problem pronto.

What worries this town is that even with all its fail-safe procedures, there is a possibility that someone could push the hard disk button instead of the floppy and start World War III.

Suppose, for example, that Clinton

started to speak and Franklin Roosevelt's "Day of Infamy" speech about Japan's attack on Pearl Harbor started rolling on the prompter. What if the president didn't realize that it was different from the speech he intended to give on day-care centers? How could he stop the U.S. Air Force from bombing Tokyo before the mistake was discovered?

Here is another "worst case" scenario: The president is ready to address the country on the grave situation in Moscow and reaffirm his support for Boris Yeltsin. The hard disk brings up Lyndon Johnson's famous talk supporting Lady Bird's wildflower beautification program.

The possibilities are fraught with danger — the most frightening is that somehow Chevy Chase's monologue could get substituted for the president's warning to Saddam Hussein on arms violations.

In discussing some of the consequences with friends, the question arose as to how different presidents would react if they discovered the incorrect speech on the prompter screen.

The group decided that if Ronald Reagan found himself with the wrong text on his screen he would give it anyway and no one, including him, would know the difference — and he would get a standing ovation.

Gerry Ford would immediately realize what was going on and start telling Bob Hope golf jokes.

Richard Nixon would read the first paragraph and then keep repeating, "I am not a crook."

If it happened to George Bush he would pull Barbara Bush out on stage and hug her.

Jimmy Carter would just put on a frozen smile and not say anything.

Garfunkel, at 50, Sings His Own Song

By William Grimes

NEW YORK — Since Paul Simon and Art Garfunkel went their separate ways in 1970, an entire generation has grown up and gone through college, total strangers to a time that found dark solace and spiritual nourishment in songs like "The Sound of Silence" and "Bridge Over Troubled Water."

They do not know those special late-night moments, usually thick with marijuana smoke and illuminated by lava lamp and black light, when Garfunkel's sweet, haunting tenor hung in the air like an inspired afterthought. Impassioned, romantic, innocent, it was the voice of the late '60s for the young middle-class with poetic leanings.

The melody lingers on. People stop Garfunkel on the street and corner him at social events to explain in full detail exactly what his music meant to them. Garfunkel says this is fine by him.

"They're trying to say something — 'You touched me more deeply than you realize,'" said Garfunkel. "It was the language of thinking college people at that time, and they're saying that my singing got to them a little."

Certainly the Paramount theater has had little trouble selling tickets for a retrospective concert chronicling the career of Simon, with the first third of the program set aside for a Simon and Garfunkel reunion, always a potent draw. Originally, a series of 10 shows was planned, but 11 more shows had to be added, with the top ticket priced at \$100.

All told, more than 100,000 people will see the show. The baby boomers among them will no doubt experience a pang when Garfunkel disappears after the first act. Their younger brothers and sisters, and in some cases their teenage children, will wonder, so what happened to the tall guy with the blond hair?

Well, there have been good times and bad times, times when the air crackled with anger and jealousy between the two men, and moments of sweet reconciliation.

Two years ago, the relationship hit a new low when Simon took the stage in Central Park without Garfunkel, a pointed gesture, since the two had performed in the park a decade earlier before half a million people. Garfunkel did not disguise the hurt. "I'm not good enough to be invited," he said before leaving town.

Now is one of the good times. Last year, Simon and Garfunkel gave two benefit shows on Broadway that received rapturous

reviews. The pair followed up with a somewhat longer show for charity in Los Angeles. "It was wonderful, musical and sweet," said Garfunkel. "The blend was there."

The good feelings from the Los Angeles show, as Garfunkel describes it, will carry right through to the Paramount, and beyond, since he and Simon, beginning in November, will take the Simon and Garfunkel part of the concert on the road to Canada, Japan and Singapore.

In a different mood, Garfunkel might have had a few words to say about the format of the concert, subtly titled "The Concert Event of a Lifetime." After all, it is emphatically a Paul Simon concert, with two of its three acts devoted to Simon's solo career and his work with groups like Ladysmith Black Mambazo, the Mighty Chords of Joy and Rhythm of the Saints. In other words, not Art.

But Garfunkel is feeling generous. Sitting behind a polished desk in the midtown Manhattan offices of his publicists, he looks surprisingly unchanged at 50, a little thicker around the middle but retaining the puff of blond hair, which sticks out around a Philadelphia Phillies cap, and the choirboy aura. "I love working with Paul acoustically," he said, "that's the key to the whole thing. I really believe in Simon and Garfunkel as an acoustic act, and I have a lot of appetite for this."

Simon, for his part, has made it abundantly clear in interviews that, regardless of his personal affection for Garfunkel, they do not pursue different destinies, and no Simon and Garfunkel album is in the cards.

The freeze-out may not bother Garfunkel as much as it has in the past. The concert comes at a time when Garfunkel, after a quiet period, has projects on the table. He is a co-star in Jennifer Lynch's new film, "Boxing Helena." He has just finished his eighth solo album, for Sony Records, "Up Til Now," which is due out next month.

For the last year he has been touring in the United States and Europe. He and his second wife, Kim Carnes, an actress and singer, are about to celebrate their fifth anniversary, and they have a 2-year-old son.

The long-running (since sixth grade) Simon and Garfunkel act came to an end in 1970 in an atmosphere of emotional turmoil, with plenty of blame to go around. Garfunkel contributed his share of difficulties by constantly leaving recording sessions for "Bridge Over Troubled Water" to make his acting debut in "Catch-22."

Initially, the two seemed to be headed off



Now it's good times in Garfunkel's up-and-down relationship with Paul Simon.

to equally distinctive careers. Garfunkel received respectful reviews as Captain Nately in "Catch-22" and as Jack Nicholson's friend Sandy in "Carnal Knowledge," both produced and directed by Mike Nichols, who had commissioned Simon and Garfunkel to write the soundtrack for the 1967 film "The Graduate."

In 1973 he released his first solo album, "Angel Clare," a romantic, introspective collection that set off his voice to advantage. A couple of singles, "Second Avenue" and "All I Need," did well on the charts, and "Watermark," his 1977 album of songs by Jimmy Webb, won critical praise for its perfect marriage of voice and material.

But then time seemed to stop. Simon's career took off in sometimes exotic new directions, as he teamed up with African and Brazilian musicians. Garfunkel seemed to stick. Some critics had worried that the lush, fervid music of his first few albums was a little syrupy and one-dimensional. "Fate for Breakfast," "Scissors Cut" and "Lefty" they panned outright.

The acting career stalled. "I only got involved because Mike Nichols thought I could act, something I'd never thought of," said Garfunkel.

As Simon's star ascended, Garfunkel increasingly seemed like the forgotten half of

the partnership, on call and always ready for the occasional reunion concert, hurt when the invitations didn't come.

But now Garfunkel seems like a man who has arrived in a different and better place. He says he has finally learned to enjoy standing alone on a stage and that he looks forward to touring next year.

The relationship with Simon seems less like a shared joke, less like Liz and Dick, more like Hope and Crosby.

"There are ambivalent feelings that will never be resolved," Garfunkel said. "It's a bore to go into it any more than that. We definitely enriched each other's lives. That's important."

So is the voice. Garfunkel is clear on that. For the most part, the new album presents his singing in a chaste setting, alone with Jimmy Webb's piano on a remake of "All I Need," or with James Taylor and a single guitar on "Crying in the Rain." It's as though Garfunkel had discovered an easy answer to some complicated problems.

"It's odd in a way that I ended up in show business," he said. "I'm a private, contemplative, philosophical kind of guy. I can sing to please, and people say that I please. I believe in that."

PEOPLE

Madonna's Shock Value Still High in Germany

Has Madonna reached the limit of the shock factor? That's what some London newspapers are saying after she opened her Girlie Show world tour over the weekend in London. Reports say the new show is raunchy as usual but less trash than some in the past. But one man's raunchy is another man's obscene. Norbert Geis, a spokesman for Chancellor Helmut Kohl's party in parliament, said Madonna's performance had gone far beyond the bounds of good taste and suggested that Frankfurt officials adopt an age limit of 16 or 18 years for those who want to see Madonna on Saturday. Reaction from the Frankfurt organizers? "Geis should concern himself with more important matters."

Prince Charles made Clint Eastwood's day when he presented Eastwood a fellowship of the British Film Institute in recognition of his success as an actor and a director. The actress Maureen O'Hara and Sir Denis Forman, a former director of the British Film Institute, also received fellowships.

The supermodel Naomi Campbell has signed on with the Ford agency after her loud split with the Elite modeling agency that made her famous. Elite's founder, Johnny Casabianca, was furious, calling Campbell "a spoiled selfish brat who is to the best offer." Ford, which has represented Campbell in Europe, said she made the switch "to fulfill her goals of expanding her career beyond modeling."

John Denver will perform at a fund-raiser in Aspen, Colorado, as a penalty for driving while his ability was impaired by alcohol. "He is choosing to sing only because of his graciousness and generosity," Ellen Anderson, a Pitkin County deputy sheriff, said. A judge ordered him to perform 24 hours of public service. In other moving violations, the actor Daniel Day-Lewis was banned from driving for a week in Cullompton, England, for speeding on his new motorbike.

INTERNATIONAL CLASSIFIED Appears on Pages 4 & 21

'John' Goes Out of Style

LONDON — John, the most popular first name for Britain's newborn boys for 250 years, is out of favor. The Guinness Book of Names said that between 1700 and 1950 John was always one of the two most popular names chosen by parents of boys. But this year John is 40th on the list of most popular names. Daniel and Matthew are the two most popular.

White Washington quakes with fear

White House sleuths are trying to find the inept button pusher. No government punishment exists for someone who screws up the president's TelePrompTer. But the hard-liners in the White House say that if they find him they will trade him to Ross Perot for a running back and two draft choices.

WEATHER

Weather forecast section including Europe, North America, Asia, Middle East, and Latin America. Includes maps and temperature tables.

CROSSWORD

Crossword puzzle section with clues for Across and Down, and a solution to the puzzle from Sept. 27.

"I wonder if the little guy had fun today?"



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